EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,457

Monday May 20 1991

D 8523A

Austria	Sch[illegible]	Iran	Rls[illegible]	Pakistan	Rs[illegible]
Bahrain	Din0.[illegible]	Israel	Shk4.50	Philippines	Pes40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Esc175
Denmark	DKr13	Korea	Won 2500	Qatar	QR[illegible]
Egypt	E£[illegible]	Kuwait	Fils.500	S.Arabia	SR[illegible]
Finland	Fm[illegible]	Lebanon	L£1,000	Singapore	S$4.10
France	FFr8.00	Lux	LFr60	Spain	Pta175
Germany	DM2.20	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr160	Nigeria	Naira15	Tunisia	Din1.000
India	Rs[illegible]	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp5100	Oman	OR1.25	UAE	Dh8.00

COMECON

Chief mourners at the funeral

Page 2

World News

Pretoria tries to resolve Zulu spears controversy

The South African government will this week seek to resolve its dispute with the African National Congress which announced that it would boycott talks on a post-apartheid constitution.

President F.W. de Klerk is due to meet the Zulu King Goodwill Zwelithini early this week to discuss the banning of spears and sticks, which Zulu leaders claim are "cultural weapons" but which the ANC says provoke township violence. Page 18

Croatian status poll

Voters in Yugoslavia's republic of Croatia went to the polls to decide whether the territory wished to become "a sovereign state", which may or may not become part of a Yugoslav "confederation". Page 2

Kuwaiti trials start

Kuwait has begun trials of those accused of collaborating with the Iraqi occupation forces, issuing prison terms on charges ranging from taking up arms to wearing Saddam Hussein T-shirts.

Kurdish talks stalled

Final agreement over autonomy for Iraq's Kurds is being held up by a dispute over Kurdish demands that the oil-rich area around Kirkuk be included in the autonomous region. Page 3

Mengistu threatened

Ethiopian rebels claimed to have dealt their most devastating blow to the regime of President Mengistu Haile Mariam, advancing to within 90km of the capital, cutting off a strategic road and seizing three key towns. Page 4

Greek Cypriots vote

Greek Cypriots elected a new parliament amid speculation over fresh Turkish proposals for reuniting the island which has been partitioned for 17 years. Page 2

Brazil strike threat

Brazilian labour leaders have called a two-day national strike for May 22-23 to protest against the government's anti-inflationary economic policies.

South Koreans clash

South Korean dissidents clashed with police in Kwangju after a young woman died of burns in a protest suicide.

Lebanese high alert

The Lebanese army went on high alert in the south after Israeli warplanes attacked a guerrilla base in what the Defence Ministry called an attempt to "hamper the march of peace".

Polish dispute ends

Some 20,000 Polish striking copper ore miners agreed to return to work after a six-day stoppage in the south-west Lubin area. Page 3

Jail riot claims 19

Mexican police said they were in full control of an overcrowded state prison in Matamoros near the Texan border, after 19 inmates were killed in a riot triggered by a clash between rival drug gangs.

Price of progress

Indonesia has officially inaugurated a World Bank-funded dam in central Java despite the protests of 600 families who have refused to leave the site. President Suharto told them that "development requires sacrifice".

Business Summary

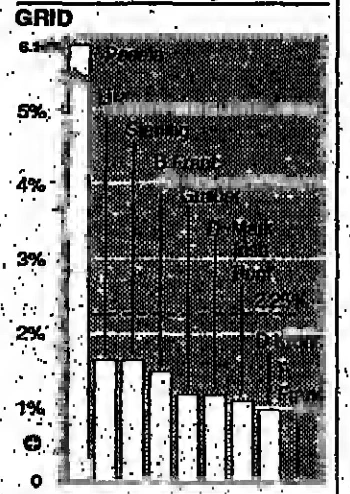
VEV losses of FFr800m confirm worst forecasts

VEV, the debt-ridden French textiles group, has finally announced net losses of FFr800m ($137.7m) for 1990, confirming analysts worst forecasts. The group, temporarily rescued from bankruptcy by bankers and the French government, said operating losses totalled FFr270m as sales fell by 14 per cent. Page 19

EUROPEAN Monetary System: A cut in the Bank of Spain's money market intervention rate, the main instrument of monetary policy, produced only a temporary easing of pressure in the European exchange rate mechanism. The French franc finished near its floor against the peseta, despite the Bank of France's decision not to follow the Spanish move. Speculation that the Bank of England might cut rates also proved unfounded. Currencies, Page 29

EMS May 17, 1991

GRID



The chart shows member currencies of the exchange rate mechanism measured against the weakest currency in EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

SEMICONDUCTORS: US and Japanese trade officials failed to settle their differences over a new pact on foreign access to Japan's semiconductor market. Page 4

PILKINGTON, UK glass-maker, is to sell Coburn Optical Industries, part of its US eye care business. Page 20

US budget deficit may be less than expected in the current fiscal year despite falling tax receipts. Page 4

TOBACCO: European Community's retail tobacco market, worth $50bn in 1989, would not be affected by an advertising ban, according to the the confederation of EC cigarette manufacturers. Page 19

SINGAPORE Airlines posted a 24 per cent fall in after tax profits for year ended March 1991. Page 21

ANDEAN Pact: Presidents of Bolivia, Colombia, Ecuador, Peru and Venezuela signed an accord designed to implement an Andean regional free trade zone by 1995. Page 4

DALGETY, UK food and agribusiness group, is expected to announce itself prepared for a major European acquisition after disposal of US produce interests. Page 19

Moscow seeks to remove barrier to foreign investment

By Leyla Boulton in Moscow

THE Soviet Union plans to introduce partial convertibility of the rouble next year to encourage foreign investment and bring the country closer to a market economy.

The plans for internal convertibility of the currency, disclosed by Mr Viktor Gerashchenko, chairman of the Soviet central bank, at the weekend, will require substantial western credits to boost the Soviet Union's scarce hard currency reserves.

The move, discussed last Thursday by the Soviet cabinet and republican representatives, would allow Soviet and foreign enterprises to sell and buy roubles for hard currency at market rates. Foreign investors would be able to repatriate profits in hard currency.

Internal convertibility falls short of full convertibility in so far as Soviet enterprises would still not be allowed to invest hard currency abroad. The Soviet government will need extra hard currency reserves to support the rouble in foreign exchange markets.

The Gosbank chief also said the introduction of a convertible currency presupposed the implementation of tough domestic reforms, such as further price liberalisation and moves to demonopolise Soviet industry.

Ha warned that making the rouble convertible would pose "serious problems" for Soviet enterprises which needed hard currency to import raw materials and components, since they would have to pay a full market rate for hard currency and not one set by the state as in the past.

Mr Gerashchenko said that tha plan for partial convertibility, which would be completed by July 1, would be submitted for examination "abroad and by the International Monetary Fund in particular.

"At present we should think what is to be done so that major financial organisations can grant us most favonred nation status," he said in an interview witb Izvestiya, tbe government newspaper.

He also acknowledged that a common front by the central government and Soviet republics was essential to obtain foreign support.

Mr Gerashchenko's announcement coincides with intensive Soviet efforts to obtain the support of the G-7 group of industrial nations in return for genuine market reforms by the Soviet Union.

The IMF provides balance of payments assistance for countries whicb undertake structural adjustments meeting the Fund's criteria for reform. IMF support also unlocks other sources of western funding, hnt the Soviet Union's request for membership has so far been held up by western scepticism over Soviet reform plans advanced up to now.

Mr Grigory Yevlinsky, a leading Soviet economist, left for the United States yesterday to continue work with economists close to the US administration on a programme for radical economic reform based on co-operation with the West.

His mission has the blessing not only of President Gorbachev, but of Mr Boris Yeltsin, the Russian leader, as well as of Mr Nursultan Nazarbayev, the president of Kazakhstan, who are all signatories to a joint declaration pledging a common approach to economic reform.

Mr Yavlinsky, a former Russian deputy prime minister, is also actively involved in negotiations for President Mikhail Gorbachev to attend the Group of Seven's London summit in July.

Mr Valentin Pavlov, the Soviet Prime Minister, said in a recent interview that President Gorhacbev's main request, if he is invited to the G-7 summit, would focus on assistance for making the rouble convertible.

The Soviet government has already taken small steps towards convertibility, for instance hy setting up foreign currency trading for banks, and hy approximating the exchange rate charged to tourists with black market rates.

Battle for presidency begins, Page 18; Comecon, Page 2

Boris Yeltsin, taking a break during a game of tennis in Moscow at the weekend, is a candidate in the first direct elections for president of the Russian Republic. Page 18

US rejects World Bank proposals

By Peter Riddell, US Editor in Washington

A RIFT between the World Bank and the US over funding has widened after the US's rejection of World Bank compromise proposals aimed at promoting the private sector in developing countries.

The US administration is insisting on the issue being resolved before it stops blocking a large capital increase for the International Finance Corporation (IFC), the affiliate of the World Bank which lends to, and takes equity investments in, private sector companies.

While generally backing the work of the IFC, the US favours a smallar capital increase than the doubling of the present $1.3bn (£750m) urged by the IFC's management and backed by Germany and Britain. The US favours a rise of between $700m and $800m and has questioned whether the IFC cannot raise more money internally, hy improving its rate of return.

The US argues that a plan to increase private sector involvement put forward in April 1989 has never been implemented and that too much of the bank's philosophy is based on public sector solutions.

The IFC's management is angry over the dispute which, if it delays the capital increase, may slow the growth of programmes to assist the private sector. Tba IFC has become very active in assisting reform in eastern Europe.

The US has separately been questioning some of the IFC's rate of return figures, arguing that there is more scope for self-financing and maintaining that IFC could continue to grow at 8 to 10 per cent a year even without any capital increase.

The differences between the US and the hank's management are due to be taken up at a board meeting on Thursday. Bnt unless agreement is reached within the next few weeks there will not be time for the US Congress to approve the necessary legislation authorising the additional US contribution for the coming fiscal year. The US is under pressure to reach agreement both from other leading industrial countries and from some Congressional leaders.

Representative Mary Rose Oakar, chairman of the subcommittee on international development of tbe House Banking committee, has written to Mr Nicholas Brady, the Treasury Secretary, warning that legislation approving increases in resources for other development bodies, including the International Monetary Fund, may not go ahead unless agreement is reached on an increase in the IFC's capital.

But there are few signs of an early breakthrough, in view of the positions taken up ahead of the Bank's board meeting.

Indian voters choose lotus, hand or wheel

By David Housego in New Delhi

IN RURAL INDIA, where most voters live, today is the day of the "hand", the "lotus" and the "wheel".

The "hand" is the symbol of Mr Rajiv Gandhi's Congress Party, the "lotus" that of the Hindu revivalist Bharatiya Janata Party and the "wheel" represents the Janata Dal of former Prime Minister V.P. Singb. The parties are the three main contestants in the general election for which polling begins today and continues in two furtber pbases on Wednesday and Sunday.

In a country of 38 per cent literacy, the majority of voters only know the party of their choice by its symbol. As the campaign gathered momentum in the beat of mid-summer, parties have festooned their symbols across every available corner of space.

The party signs are everywhere: scrawled on the outside of vilage houses; strung across the street like flags; and on posters stuck on the back of buses and of "auto-rickshaws".

When voters go into tbe seclusion of the polling booth today, most will look for a party symhol on the ballot paper handed to them. Con-

Continued on Page 18

ICI finalises secret strategy to fight potential bid from Hanson

By Clive Cookson in London

IMPERIAL Chemical Industries (ICI), the world's fourth largest chemical group and Britain's largest manufacturing company, yesterday put the finishing touches to a secret plan to defend itself against a possible bid from Hanson, the acquisitiva conglomerate which last Tuesday acquired an unwelcome 2.82 stake in the group.

The ICI war committee – led hy the chairman Sir Denys Henderson witb Mr Colin Short, finance director, and Mr Ronnie Hampel, director responsible for acquisitions and divestments – held a series of meetings in London at the weekend with its advisers, the merchant bank SG Warburg and US finance house Goldman Sachs.

As Lord Hanson, chairman of Hanson, remains silent about his intentions, the ICI team is prepared for a takeover bid in the immediate future. But Sir Denys believes that is unlikely.

More probably, the ICI camp says, Lord Hanson and his advisers – the merchant bank NM Rothschild and securities house Smith New Court – will wait for several weeks or even months and assess all the political and financial reaction, before deciding on their next move.

They could make a full bid for ICI, sell the stake or propose some form of partial takeover or alliance between Hanson and the chemical group. Beyond making plain that ICI will counter-attack ferociously if Hanson makes an aggressive move, Sir Denys and his team refuse to spell out their plans.

"Tha other side is saying nothing and we want to keep our powder dry," said one insider.

A possible Hanson plan is not to take over ICI and break it up but instead to take a substantial stake in the chemical group – 20 per cent would be the minimum required for equity-accounting purposes.

Hanson would then want seats on the ICI board and an agreed strategy for streamlining the group and its management.

ICI and its advisers, meanwhile, continue to scrutinise Hanson and its operations, in the search for ammunition to counter-attack if necessary. They say they have had offers of assistance from many people who bave had pastdealings with Hanson.

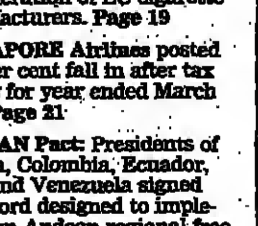
ICI is likely to present itself in its defence documents as a company prepared to invest in research and development and to build up businesses for the long-term, as successful German and Japanese companies do. Hanson, in contrast, will be portrayed an asset-stripper.

The eight trade unions representing ICI workers meet this afternoon to co-ordinate their political campaign against Hanson, under the auspices of the TUC.

The management for its part would not want its allies in the City to get the impression that it would be less tough than

Continued on Page 18

The UK's opposition Labour Party could be in power within a few months. Over the next few weeks, starting today, the Financial Times will take a detailed look at Labour's policies in a series of editorials to assess if the party is ready for government



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THE MONDAY INTERVIEW

The past hangs over Ion Iliescu, president of Romania. His critics complain that he is unable to shed the mantle of his communist days. His advisers and the country's young ministers, however, are more sympathetic and loyal
Page 34

FT SURVEYS THIS WEEK

Turkey: The country's Kurds will in law be abla to use their *mother tongue* – a first gesture towards this troubled minority. *(Survey today, see separate section).*

Comecon sets date for dissolution

THE SOVIET Union and its former communist allies will preside next month over the funeral of Comecon, the Soviet-lsd trade organisation, dead since January, Leyla Boulton reports from Moscow.

Mr Bela Kadar, Hungary's minister for international economic relations, said however that an agreement to dissolve Comecon on June 28 would not signify "the funeral of co-operation as such".

The nine remaining members of the Council for Mutual Economic Assistance (Comecon) switched to hard currency trade on January 1, East Germany, the 10th member, having been become part of a united Germany late last year. Justification for the existence of Comecon, which used to manage a centrally planned bartsr system, then disappeared.

However, it was only on Saturday that the nine – the Soviet Union, Poland, Bulgaria, Hungary, Czechoslovakia, Romania, Vietnam, Mongolia, and Cuba – set a time-table for winding down the organisation created by Stalin 42 years ago.

Mr Kadar told a news conference the dissolution of Comecon would formally take effect 90 days after a treaty to this effect were signed by Comecon representatives in Budapest next month.

Meanwhile, the countries have to resolve a dispute over how to dispose of Comecon's property, which consists mainly of a skyscraper housing its Moscow secretariat and a hotel.

The Soviet Union would like to buy the beadquarters, perhaps with a view to renting them for hard currency to western companies. The eastern Europeans, though, want to turn ths secretariat into offices for their enterprises to do business in Moscow.

Member states are also still divided on a successor organisation for Comecon. Last year, they agreed to set up a loose consultative body to be called the Organisation for International Economic Co-operation. It would provide economic forecasts and analysis on the difficulties of switching from a command to a market economy.

Now, however, Poland, Czechoslovakia, Hungary, Bulgaria and Romania want to exclnde Mongolia, Vietnam and Cuba from the new club, while Moscow has wavered on the issue. The less-developed trio is seen as a drain on the European countries' resources with nothing to offer a new organisation.

These problems, however, are small in contrast to the separate task of reviving trade between the Soviet Union and the five eastern European countries. This collapsed with the switch to hard-currency trading in January, mainly because the Soviet Union continued to sell oil and gas to eastern Europe but had no hard currency left to import food and consumer goods traditionally supplied to it by eastern Europe.

Mr Stepan Sitarian, head of the Soviet Union's Foreign Economic Relations Committee, said moves were under way to raise imports from eastern Europe by restoring trade in national currencies and lifting Soviet restrictions on barter trade.

Bela Kadar: co-operation will continue

Polls forecast Gonzalez losing ground

OPINION polls published yesterday forecast that Spanish prime minister Mr Felipe Gonzalez's Socialist Workers' Party (PSOE) will lose ground when 30 million Spaniards vote in local elections all over the country next Sunday, Reuter reports from Madrid.

El Pais newspaper carried a poll which saw the two biggest opposition parties, the conservative Popular Party (PP) and the United Left coalition (IU), both closing the gap with the PSOE. The Social and Democratic Centre (CDS) lost support in the poll.

Voters will choose candidates for 8,000 town halls and the governments in 13 of Spain's 17 autonomous regions.

El Mundo newspaper said that unless the Socialists make a pact with other parties, the PP should clean up in Madrid, where they have ruled with the CDS in coalition since 1989.

Soviet air traffic controllers may strike over pay dispute

THE Soviet government has met most demands by air traffic controllers, but their strike could still go ahead because of differences over pay, a trade union leader said on yesterday, Reuter reports from Moscow.

Mr Sergei Ysvenkov, vice-president of the controllers' union, said the government had made key concessions on pensions, retirement age and holidays following talks to avert the strike, which was to begin tomorrow.

But government negotiators were flatly refusing to bow to demands for a three-fold increase in pay, he added.

"We are receiving calls from throughout the country from local trade union committees and they say we should hold out until the very end, and not sign any agreement until all our demands are met in full," Mr Yevsukov said in a phone interview.

He said it was not up to his negotiating team to proceed with the strike but only "to implement the will of the people".

Civil aviation minister Mr Boris Panyukov told the Communist Party daily Pravda on Saturday that the strike, which would close Soviet airspace, was illegal.

The authorities were prepared to take stern measures to prevent it, he said.

Each day of a walkout would cost the economy 25 million roubles ($42m at the inflated official exchange rate) and $2m in convertible currency.

Soviet pilots have pledged to stage a one-day strike to press similar demands.

Senior parliamentary official Mr Valery Voskoboinikov told Soviet television yesterday that the government had agreed to rednce the retirement age of air crew and traffic controllers to 50 for men and 45 for women and extend annual leave to 50 daye or more.

But he said government ministers were not prepared to grant a pay increase exceeding 50 per cent.

Controllers complain that their monthly wage of 400 roubles – over 50 per cent higher than average Soviet salaries – does not reflect the stress and danger of the job.

Union leaders estimated last week that 95 per cent of their estimated 17,000 members were prepared to join the walkout.

A strike would hit Western airlines flying to the Far East because the most direct routes from Europe to Tokyo, Hong Kong and other cities in the region cut directly acrose Siberia.

Cypriot Greeks vote as Turks hold talks

By Kerin Hope in Nicosia

GREEK Cypriots voted yesterday to elect a new parliament, amid speculation over fresh Turkish proposals for reuniting the island.

The "national problem," the Greek Cypriot term for the 17-year-old partition of the island, was the main issue in a low-key campaign that emphasised televised political debates rather than outdoor rallies.

President George Vassiliou, reflecting a consensus among local political leaders over recent US efforts to promote a solution under UN auspices, said that "only substantive proposals from the Turkish side" could revive negotiations. "The key to a solution is Ankara. It would be a great pity if Turkey doesn't respond to this positive international climate," he said.

UN officials, who sponsored years of fruitless discussion between the Greek and Turkish Cypriot communities, are holding direct talks with the Turkish Foreign Ministry.

Mr Rauf Denktash, the Turkish Cypriot leader, says he is under pressure to produce specific plans for territorial adjusments to let Greek Cypriots return to northern Cyprus, occupied by Turkish troops since 1974.

The right-wing Democratie Rally party was forecast to retain its position as the largest party in parliament, with more than a third of the vote.

Akel, the flourishing commmunust party with a popular leader in Mr Demetris Christofias, has dropped its opposition to Cyprus's application for European Community membership. It was expected to move ahead of the centrist Diko party into second place.

W Europe's car sales end decline

By Kevin Done, Motor Industry Correspondent

WESTERN European new car sales increased in April by an estimated 8.4 per cent to 1.3m from 1.2m a year ago, the first year-on-year increase since July last year.

For the first four months, sales in western Europe (including eastern Germany for 1991) were virtually unchanged at 4.92m, according to industry estimates.

The strengthening of demand in April reverses, at least temporarily, the downward trend established in mid-1990, which bas severely depressed the profits of several car makers and has led to lay-offs and reduced production.

The improvement in April, however, reflects chiefly the continuing dramatic surge in demand for new cars in Germany in the wake of unification, which is compensating for the sharp fall in sales in several other key markets including in particular the UK, Spain and France.

There is concern in the industry that German demand could weaken in the second half of the year, as the initial car demand in eastern Germany is satisfied and as tax increases are implemented.

Excluding Germany, new car sales in western Europe, in the first four months, were 12.4 per cent lower than a year ago at 3.41m. Demand in some smaller markets also improved in April, however. Excluding Germany, sales last month were 5.9 per cent lower than a year ago at an estimated 867,000.

Overall new car sales last month were higher than a year ego in nine markets across western Europe and lower in eight. For the first four months, sales were lower in 13 markets, higher in four.

Germany remains the driving force behind western European new car demand and, last month, sales were an estimated 56.1 per cent higher at 432,000 (including eastern Germany), compared with sales of 277,000 a year ago in West Germany alone.

On the same basis, sales in Germany in the first four months were an estimated 47.4 per cent higher than a year ago at 1.5m.

The UK is still the volume market hit hardest by recession. Sales in April were 24.2 per cent lower than a year ago and 22.2 per cent lower in the first four months.

The steep fall in French car sales in the first quarter was moderated last month with an estimated drop of only 0.6 per cent, while sales for the first four months were 16.0 per cent lower than a year ago. The Fiat group of Italy has been the main loser this year with its western European new car sales declining by an estimated 12.2 per cent in the first four months and its share dropping to only 13.4 per cent from 15.3 per cent a year ago.

Tough line on the krona

Robert Taylor assesses the Swedish decision to link its currency to movements by the Ecu

THE Swedish decision to link the krona to the European currency unit (Ecu) indicates the seriousness of the government's desire to become a member of the European Community.

Mr Allan Larsson, finance minister, made clear that the decision on Friday to link meant Sweden would like to join the exchange rate mechanism of the European monetary system "as soon as possible". He also wants Sweden to take a full part in the EC's discussions on economic and monetary union.

However, these wiehes require the EC'e agreement, and it may be some time before Stockholm receives a satisfactory response. Even so, with Sweden's EC membership application due for delivery in Brussels by the end of next month, the pace of Sweden'e integration to western Europe is quickening.

The link of the krona is a further sign of confidence that the ailing Swedish economy is on the road to recovery, without recourse to temporary palliatives such as a devaluation. In fact the krona's link to the Ecu appears to quash speculation that Sweden will manipulate the value of its currency – as it has in the past – to restore its competitive advantage.

The financial self-disciplines imposed by Sweden over Ecu linkage – and eventually the ERM – will force future governments to pursue tough economic policies so as to ensure low inflation and monetary stability. Sweden has decided the krona will not be allowed to fluctuate by more than 1.5 per cent above or below SKr7.40054 to the Ecu.

Mr Larsson said in an interview: "We have taken this decision from a position of strength." He pointed to the substantial inflow of foreign capital to Sweden, the improvement in the balance of trade, and signs that the country's high inflation rate is at last declining. Consumer prices rose by only 0.5 per cent in April, bringing the year-on-year rate to 10.9 per cent.

Domestic interest rates are also expected to fall further this week, in another sign of an improved economic climate.

It is clear, too, that the Ecu decision will impose added pressure on employers to stand firm against those mainly white-collar workers who refuse to swallow a tight two-year national wage agreement, accepted by about 75 per cent of the workforce. It is designed to bring down the country'e costs to the level of its main trade competitors.

The domestic reasons for the timing of Ecu linkage are clear enough. The present feverish state of public opinion points not only to the defeat of the ruling Social Democrats on September 15 but a fragmented parliament, containing perhaps eight parties, making it hard for any government to take tough decisions.

With the prospect of political chaos, business confidence could have drained away. The fact the krona is now firmly wedded to the European currency system is expected to reassure markets that, whatever happens after the general election, the fundamentals of Swedish financial policy will remain unchanged.

The decision on Ecu linkage must also be viewed in the wider context of Sweden's bipartisan European strategy. It is, in Mr Larsson's words, the crown on the other moves that the Swedish government has made towards the EC.

Sweden believes the break-through last Monday in negotiations between the EC and the European Free Trade Association, on a European Economic Area, means a framework EEA agreement is now in sight and that loose ends over fishing and transit rights should not delay the timetable for the Swedish membership bid.

Croatian president Franjo Tudjman (left) and his compatriot Stipe Mesic, in line for the presidency of Yugoslavia, hail the weekend victory of Dinamo Zagreb over Red Star Belgrade, respectively the soccer pride of Croatia and Serbia

Ethnic divisions in Croatia as republic votes on status

By Laura Silber in Vukovar, Croatia

VOTERS in Yugoslavia'e republic of Croatia yesterday went to the polls to decide whether the territory wished to remain a part of Yugoslavia or become "a sovereign state", which may or may not become part of a Yugoslav "confederation".

The vote is widely seen as a referendum on independence and the Croatian government could regard the ontcome as a mandate to leave the Yugoslav federation.

Mr Franjo Tudjman, president of Croatia, yesterday said: "We need the referendum to ehow the world that independence is not just the programme of my government, but the will of the people".

Most Croats were expected to vote for the sovereign state. However, many Serbs from the Croatian town of Vukovar, a town of Serbs and Croats, yesterday seemed to have voted in favour of keeping Croatia in the present federation of six republics because they are concerned about their status in an independent Croatia.

Croatia's moves towards greater distance from the federal structures has led it into conflict with Serbia, the largest republic and still dominated by the communist party.

Serbia, which wants to retain Yugoslavia'a present structures, last week prevented Mr Stipe Mesic, a Croat, taking his turn at the head of the country'e eight-member presidency. The failure by Serbia to voted for Mr Mesic has meant that Yugoslavia has been withont a federal president and head of the armed forces.

This led Mr Ante Markovic, federal prime minister, to form last Friday a "committee" whieh would guarantee the functioning of federal institutions, in an attempt to by-pass the paralysis. The army issued a statement on Saturday, after an emergency session of military leaders, in which it warned that "special measures would be taken" in the light of the deadlock. It did not go into detail.

Meanwhile, the disputes at the federal level have reached Vukovar, with its population of 30,000 people, whose voters are now concerned about the possibility of civil war. They were doubtful yesterday that the referendum would resolve the country's deepening crisis. "It would be better if Croatia could fully secede. We are on Serbia's frontier, where brother will have to shoot against brother," said a Croatian woman after voting.

There were no reports of violence between Serbs and Croats but police armed with AK-47 machine guns guarded some polling stations while heavily armed police from Croatia'e special forces occupied the town's hotel.

WEST EUROPEAN NEW CAR REGISTRATIONS*
January-April 1991

	Volume (Units)	Volume Change(%)	Share (%) Jan-Apr 91	Share (%) Jan-Apr 90
TOTAL MARKET*	4,921,000	+0.0	100.0	100.0
MANUFACTURERS:				
Volkswagen (incl. Audi & SEAT)	817,000	+10.9	16.6	15.0
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	659,000	−12.2	13.4	15.3
General Motors (Opel/Vauxhall, US# & Saab)	620,000	+9.3	12.6	11.5
– Opel/Vauxhall	598,000	+10.3	12.2	11.0
– Saab**	17,000	−22.0	0.3	0.4
Ford (Europe, US# & Jaguar)	602,000	+7.8	12.2	11.3
– Ford Europe	594,000	+8.3	12.1	11.2
– Jaguar	5,000	−32.8	0.1	0.2
Peugeot (incl. Citroën)	577,000	−10.4	11.7	13.1
Renault††	487,000	−4.5	9.9	10.4
Mercedes-Benz	163,000	+4.2	3.3	3.2
Nissan	151,000	+12.1	3.0	2.7
BMW	133,000	−1.6	2.7	2.7
Rover†	131,000	−8.4	2.6	2.9
Toyota	125,000	+2.3	2.6	2.5
Mazda	101,000	+4.6	2.0	2.0
Volvo††	76,000	−18.0	1.5	1.9
Mitsubishi	63,000	+3.5	1.3	1.2
Honda†	55,000	+3.3	1.1	1.1
Total Japanese	568,000	+5.6	11.4	10.9
MARKETS:				
Germany*	1,510,000	+47.4	30.7	20.1
Italy	904,000	−3.2	18.4	19.0
France	705,000	−16.0	14.3	17.1
United Kingdom	583,000	−22.2	11.9	15.2
Spain	287,000	−19.7	5.8	7.3

*Includes eastern Germany in 1991.
#Cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.
Source: Industry estimates

German car danger

THE absorption of the eastern states threatens to damage Germany's good reputation in pollution control, says a report on new traffic patterns in east Germany, writes David Goodhart in Bonn.

The report predicts a 26 per cent increase in carbon dioxide emissions in Germany, thanks to a sharp rise in the number and use of cars in the east.

The Financial Times (Europe) Ltd. Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1; Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Kirkuk dispute delaying Iraqi autonomy deal with Kurds

By Tony Walker in Cairo and John Murray Brown in Silopi

KURDISH rebel chieftains said at the weekend they had reached broad agreement with Baghdad on autonomy for their people in the north of Iraq.

However, the signing of an autonomy agreement is being held up by a lingering dispute over Kurdish demands that Kirkuk, at the centre of Iraq's *main oil-producing region*, be included to a new autonomous region.

The paramount Kurdish guerrilla chief, Mr Masoud Barzani, said he hoped a document would be ready for signature within days to put a formal end to 20 years of fighting between the Kurds and the central government.

"The main point which we are still negotiating is about the area of autonomy. There are different views," Mr Barzani said on Saturday.

Mr Barzani, at the head of an alliance of Kurdish groups, is seeking implementation of a 1970 agreement that promised Kurds a large measure of autonomy in northern Iraq, but did not extend to Kirkuk itself.

The 1970 agreement quickly collapsed amid Kurdish allegations that Baghdad had reneged on its promises. The past two decades have been marked by bitter conflict.

In London, Kurdish opposition groups expressed great scepticism about the autonomy deal, saying that as long as President Saddam Hussein remained in power there was little chance of lasting peace.

"Democracy is something impossible in Iraq under Saddam Hussein," said Mr Muntaz Mufti, president of the Kurdish *human rights organisation*.

Meanwhile, the first contingent of United Nations security guards was deployed in north Iraq yesterday as part of the mounting operation to coax Kurdish refugees off the mountains back to their homes. A team of 10 UN officials entered the city of Dohuk, the first of 400-500 UN guards to be mobilised to provide the security for the thousands of refugees *returning to their homes* in north Iraq.

Dohuk, a provincial capital just outside the allied security zone, is vital to the success of the relief plan. More than *200,000 of the refugees* come from the city.

A continued Iraqi military presence has so far prevented refugees from returning. A US assessment team, comprising medics and disaster-response experts, was to have entered Dohuk yesterday bnt was refused permission by the Iraqi forces still occupying the town.

An antonomy agreement between Baghdad and the Kurds would pave the way for the return of the refugees to all northern villages and cities, including Kirkuk, now under Iraqi government control.

Mr Barzani confirmed that the Kurdistan Front was ready to leave control of the Kirkuk area's oil in the hands of the central government in return *for Kurdish administration of* the city.

"We want to reach concrete agreement on this matter, a radical solution if possible, and end this feud, which has lasted too long for the Kurdish people and for the Iraqi people as a whole," he said.

A quarter of Iraq's pre-war oil production of 3.2m barrels a day came from fields around Kirkuk. The Kurds have said they want a share of the state budget equal to their population – about 20 per cent of Iraq's 18m people.

Mr Barzani, who has held two meetings with Mr Saddam since he arrived in Bagdad on May 7, told reporters he was willing to deal with the Iraqi leader because "both of us have now got very strong experience that war is not the solution to this matter."

Syrians insist that Lebanon enjoys independence

Damascus' hegemony over the strife-torn country may be the lesser of two evils, writes **Lara Marlowe**

DESPITE Israeli claims that last week's Beirut-Damascus treaty marks the virtual annexation of Lebanon by Syria, officials in Damascus are publicising the agreement as the first formal recognition by Syria of Lebanese independence.

"For the first time, Lebanon has been acknowledged by law as an independent state in its present borders," Mr Mohammad Salman, the Syrian minister of information, said yesterday. "No Syrian government ever said officially, 'Lebanon is a separate state.' In this treaty, *Lebanon is recognised as an* independent state; it is a new departure for the Syrian government to officially acknowledge this.

"The treaty does not mean *the unification of Syria* and Lebanon. It does not mean identical laws to the two countries. Both countries retain their own constitutions."

Fears for its own security have always been central to Syria's intervention in Lebanon. "The French and British colonialists came to Syria through Lebanon," Mr Salman said. "Throughont history, anyone who wanted to threaten Syria came through Lebanon. Israel tried to dominate Lebanon, and to doing so they were above all targeting Syria. They tried to place a pro-Israeli president in power and forced the May 17 1983, agreement on the Lebanese. The items of this treaty have been sought out as a result of events in Lebanon, which made both the Syrian and Lebanese people suffer."

The new Syrian-Lebanese treaty states clearly: "Lebanon may not be the source of aggression against Syria."

Syrian and Lebanese officials have portrayed the treaty as an extension of the October 1989 Taif peace accords. The Taif agreement required Syria's 40,000 troops in Lebanon to withdraw to east of Beirut six *months after* the *dissolution* of the militias and the completion of political reforms – conditions which the present, pro-Syrian Lebanese government claims are not yet fulfilled.

Two years after *this* redeployment, the presence of Syrian troops was to have been the subject of negotiations between the Lebanese and Syrian governments. The new treaty leaves the matter to a "higher council" comprising Syrian President Hafez al-Assad, Lebanese President Elias *Hrawi and* their *deputies*.

The prospect of a complete Syrian withdrawal from Lebanon, therefore, appears distant. Syria has always maintained it would not withdraw from Lebanon while Israeli troops contiune to occupy the south of the country.

The treaty, due to be ratified by the Syrian and Lebanese *parliaments* this week and *formally* proclaimed by the two presidents on May 25, calls on the two governments to "co-ordinate their economic, agricultural, industrial, commercial, transport, communications, and customs sectors, undertake joint projects and co-ordinate their development plans."

Syrian officials insist the treaty will benefit both countries. But with Lebanon just beginning to recover from its civil war, Lebanese businessmen – who enjoy banking *secrecy and* the absenca *of* exchange controls – are cringing at the possibility that Syrian-style "dirigisme" could paralyse their own economy.

For many Lebanese, the treaty merely represents the expression in concrete terms of the state of affairs dating from October 13 1990. On that day, Syrian aircraft bombed the *presidential palace at Baabda*, forcing Christian Lebanese general Michel Aoun to flee to the Frencb ambassador's residence; 810 Syrian soldiers died in the ground assault, which brought Syrian troops to Christian East Beirut.

Two months later, President Hrawi announced the formation of a predominantly pro-Syrian cabinet. French and Vatican opposition to Syrian intervention in Lebanon bad been all but neutralised by the internecine Christian war of *1990. Christian objections* to the treaty hava been noteworthy for their timidity.

Thns, the treaty marks Syria's triumpb over the francophone, Maronite Catholics of Mount Lebanon, who allied themselves with Israel in the 1970s and 1980s. Maronites outside tha Christian enclave have rarely opposed Syria. It wes *Suleiman Frangieh, a Maronite* president from Northern Lebanon, who invited Syrian troops into Lebanon in 1976.

President Hrawi, a Maronite from the Bekaa Valley town of Zahle, has met President Assad 12 times since his election in November 1989. Without Syrian military support, he would still be ruling Lebanon from the Bekaa Valley, where he waited for 11 months for Syria to end the "Aoun mutiny".

The once-powerful Phalange militia has been disarmed under the terms of the *Taif* peace accord and the Phalange appear to be biding their time in hopes that the US support for Syrian policies in Lebanon may change.

Last year, when Syria joined the coalition against Iraq, the US gave its tacit approval for Syria to drive Gen Aoun out of Baabda. Having despaired of Lebanon after the bombing of the US marine base in Beirut in 1983, the US government apparently made the same cold calculation which has led many Lebanese leaders to side with Syria: during 15 years of civil war, the Lebanese could not manage to recoocile their differences. If Syrian hegemony could restore order to *Lebanon, that was the lesser of* evils.

Above all, the treaty constitutes Syria's revenge egainst history. Syrians still insist that the people of Syria and Lebaoon are one, artificially separated by the Frencb mandate powers. Unlike Iraq's ennexation of Kuwait, Syria now seems willing to accept, in the words of Mr Salman, "the existence of one people in two conntries".

ASSAD DEMANDS IMPLEMENTATION OF UN RESOLUTIONS

President Hafez al-Assad of Syria repeated his insistence at the weekend that a Middle East peace settlement be based on key *UN Security Council* resolutions requiring *Israel* to withdraw from *land seized* in the 1967 war, writes Tony Walker in Cairo.

In a rare public comment on faltering US peace efforts, Mr Assad accused Israel of blocking progress, and said the UN should be involved in any attempt to resolve the Arab-Israel dispute. "There is no escape from the implementation of the UN resolutions and the respect for international legitimacy," be told reporters at the end of a visit by Egyptian President Hosni Mubarak.

Israel has rejected *UN* participation in a proposed regional peace conference, accusing the world body of bias. It has also said repeatedly that it would not yield one inch of territory occupied in 1967.

Syria insists on a "*significant*" UN role to emphasise the importance of the Security Council resolutions 242 and 338.

Mr Mubarak said after meeting President François Mitterrand at the weekend that France supported the view that any peace conference would have to be guided by the resolutions.

Mr James Baker, the US secretary of state, returned late last week to Washington from his fourth peace shuttle to the Middle East since the end of the Gulf war. The US is considering various options, including simply summoning parties to the dispute to a peace gathering.

NEWS IN BRIEF

Polish miners agree to return to work

SOME 20,000 Polish striking copper ore miners agreed to return to work at the weekend after a six-day stoppage in the Lubin area in the south-west, writes Christopher Bobinski in Warsaw.

This will bring relief to the government of Mr Jan Krzysztof Bielecki, who was elected as one of the leaders of the 3,000-strong Liberal Democratic party at the group's second congress in Warsaw at the weekend.

Details have yet to emerge on what terms the miners agreed to return to work.

HK airport talks continue

Britain and China last night completed the second of five days of talks on Hong Kong's plans for a HK$100bn (£7.5bn) international airport. The talks centre on how much control China should have over this and other big decisions before it takes Hong Koug back in 1997, writes John Elliott in Hong Kong.

Mr Andrew Burns, the senior diplomat from London leading the British side, said at the end of a 5½-hour session yesterday the talks had been "good, serious and earnest". Earlier talks were adjourned five weeks ago when the two sides failed to reach a compromise that would separate the airport from China's broader demands for at least partial control.

Northern Somalia secedes

Northern Somalia declared at the weekend its independence from the rest of the war-shattered country, writes Julian Ozanne in Kampala.

The secession of northern Somalia, now to be known as the Somaliland Republic, is a sign of how deeply Somalia has disintegrated after years of oppressive, undemocratic and centralised government which provoked an inevitable clan-based civil war.

Mr Abdurahan Ahmed Ali is to be the first president of the new republic.

Woman minister for Pakistan

Pakistan's government appointed its first woman minister over the weekend, in a move widely seen as a symbolic gesture to off-set recent criticism of Islamic laws and their implications for women, writes Farhan Bokhari in Islamabad.

Mrs Abida Hussain, an experienced politician, was appointed as an adviser on population welfare to Prime Minister Nawaz Sharif, with the status of a full minister.

● At least five people were killed and 16 wounded by gunmen and police yesterday as a nationalist group called for a protest strike to Sind province, witnesses said, Reuter reports.

Taiwan official to visit Moscow

Taiwan's Vice-Economics Minister Chiang Pin-Kung will visit the Soviet Union this month, becoming the most senior Taiwan official to visit Moscow publicly, a ministry spokesman said yesterday, Reuter reports from Taipei.

Chiang, leading a delegation of about 60 economic officials and industrialists, left on Saturday on a 20-day trip that will also include visits to Poland, Czechoslovakia, Bulgaria and Hungary.

Taipei to lift gold curbs

Taiwan, one of the world's biggest gold buyers, will soon lift curbs on exports and imports of the metal, a leading economic newspaper said yesterday, Reuter reports from Taipei.

The cabinet will shortly lift a long-standing ban on gold exports and allow it to be imported freely instead of through a licensing system, said the Economic Daily News, quoting unnamed senior officials in the finance ministry.

Taiwan imported 103.73 tonnes of gold last year and briefly replaced Japan as the world's biggest buyer in 1988 when it bought 354.65 tonnes.

Li Peng defends Tibet line

China's hardline premier, Li Peng, defended China's policies in Tibet yesterday and accused unnamed *foreign forces of fabricating* tales of human rights abuses in the remote Himalayan region, Reuter reports from Peking.

The premier also lashed out at Tibet's exiled spiritual leader the Dalai Lama, attacking him for supporting Tibetan independence, though he said negotiation was still possible.

Shortfall for 1991 may be less than $300bn, but still a record

Darman expects smaller US budget deficit

By Peter Riddell, US Editor, in Washington

THE US budget deficit may, for once, turn out to be less than expected in the current fiscal year in spite of lower tax receipts resulting from the recession.

However, some of the shortfall may be a result of temporary influences which will inflate next year's deficit.

Mr Richard Darman, the budget director, said yesterday that, although the administration last January had projected a federal budget deficit of $318bn (£184bn) for the fiscal year ending on September 30 1991, the total was now likely to be less than $300bn. He did not give any reasons.

The Congressional Budget Office also expects the deficit to be well below the January projections, while pointing to temporary reasons such as the large foreign contributions to US costs during the Gulf war and delays in providing additional funding for the savings and loan rescue.

The Resolution Trust Corporation, handling the rescue, did not receive needed funding until just over two months ago, so delaying some takeovers and closures. Its expenditure may be $20bn less than the $111bn expected last January, but much of that may now be incurred in fiscal 1992.

Moreover, even e lower-than-expected federal deficit – estimated by some private sector analysts at no more than $280bn – would still be a record and much higher than the $220.4bn total for fiscal 1990.

Nevertheless, last eutumn's budget agreement has succeeded in constraining spending plans despite the pressures of the recession. These tight guidelines have been recently re-affirmed by Congress.

Mr Darman said yesterday he thonght the US economy was "in the process of turning" and "about to be headed up".

He also praised Mr Alan Greenspan, chairman of the Federal Reserve, whose four-year term expires on August 11. While declining to say whether he could recommend re-appointment, Mr Darman said the Fed chairman was "widely, end rightly, respected" and had his full confidence even though they did not always agree (on monetary policy). The general expectation in Washington is that Mr Greenspan will be re-appointed.

● The White House is expected soon to confirm the naming of Ms Susan Phillips to fill the vacancy on the Federal Reserve Board following the resignation in March of Ms Martha Seger as ons of the Washington-based governors. Ms Phillips is professor of finance at the University of Iowa and a former chairman of the Commodity Futures Trading Commission.

Setback for talks on US-Japan chip pact

By Robert Thomson in Tokyo

US AND Japanese trade officials failed to settle their differences during talks at the weekend over a new pact on foreign access to Japan's semiconductor market.

The deadlock is certain to be raised at meetings in Tokyo this week between Mr Dan Quayle, US vice-president, and Japanese leaders, who had hoped a pact would be concluded quickly to minimise friction with Washington.

The new agreement would replace a five-year pact due to expire in July. The issue has become more politically charged in recent days following allegations by e prominent US senator that Japanese chip equipment producers have refused to sell advanced technology to US chip makers.

Negotiations have stalled on three issues: the wording of a market share target of 20 per cent for foreign chips; the lifting of dumping sanctions already imposed on Japanese companies; and measures to prevent semiconductor dumping in third countries.

US officials have argued for tougher provisions against dumping in third countries, where low-cost chips could be used by appliance makers who would then export their products to the US.

Until the dumping issue is settled ths US is unlikely to offer to lift sanctions imposed in 1987 after Washington determined that Tokyo had failed to honour the original agreement.

As for the market share target, US negotiators would like the wording to be precise, although they do not want the agreement to be seen as an example of managed trade. Japanese officials want the provision to be as vague as possible, fearing it could set e precedent for other market share pacts.

Couriers evoke reformist spirit in postal crusade

Delivery companies draw inspiration from history in their fight for liberalisation, writes Roland Rudd

LET THE government then, take the matter in hand; let them subject these proposals to the severest scrutiny; let them proceed with boldness which the present state of affairs justifies and requires.

The clarion call for change made in 1837 by Rowland Hill, father of Britain's postal service, is being echoed in Brussels today by private courier companies urging radical reform of postal services throughont the European Community.

When Hill issued his call he was on the verge of e spectacular success. But only weeks before the European Commission is due to publish its long-ewaited green paper on liberalising postal services, the couriers are no longer so confident of matching Hill's historic achievements.

The stakes are high for groups such as Federal Express of the US, the international courier DHL and the Australian-based delivery company TNT. They have spent millions of pounds to set up pan-European distribntion networks; failure to secure liberalisation would end their hopes of capturing the increased business volumes needed to earn a return on investment.

The European Express Organisation (EEO), an association of European private delivery services, says Hill's reforms were not dependent on the existence of e postal monopoly. If the Community wants to best serve the consumer, the EEO says, then it should not be irrevocably tied to postal monopolies.

"The needs of those who use and depend on delivery services should be paramount – not the apparatchiks in Brussels," one member said.

In a submission to the Commission, the organisation argues that liberalisation of postal services would lead to highly competitive private express and parcel delivery services. There is some evidence to support this: in the more liberalised US, postal traffic grew 46 per cent from 1981 to 1988 and there is a postal service to every address in the country.

A few European post offices believe more competition is no bad thing. Britain and the Netherlands have already made changes ahead of the EC's green paper, expected next month.

The Royal Mail is proposing to allow private couriers to use part of its service for the final delivery of letters in areas which they do not cover, such as remote villages. The Netherlands is trying to prise business eway from more conservative countries by offering lower charges for bulk mail from the rest of Europe to destinations outside the EC.

However, most post offices, which together employ 1.25m people, are fighting to preserve the status quo. They fear wholesale reform threatens the continuation of a universal postal system guaranteeing regular deliveries to EC citizens in the outposts of the Community. Stripped of their monopoly rights in the more densely populated areas, the post offices warn they could not afford to maintain services in remote regions.

Even advocates of reform – such as Dr Robert Albon, a senior lecturer in economics at the Australian National University who is visiting the University of Birmingham – agree competition could adversely affect rural services by raising prices. In a report for Aims for Industry, the UK industrial pressure group, he says urban householders would benefit at the expense of rural ones.

The battle between the private couriers and national post offices is reflected within the Commission. Its telecommunications directorate, which is formally in charge of the green paper, is supporting the national post offices' main arguments against wholesale liberalisation. The competition directorate wants, unsurprisingly, more competition. The result seems likely to be compromise.

The Commission's green paper is expected to require post offices to give up anti-competitive cross-subsidies. If s post office props up its parcels division, for example, by using revenue from its letters monopoly, it is clearly frustrating competition within that business by charging artificially low prices. The Commission appears to have accepted arguments by some private operators that post office rules on cross-subsidy violate EC competition laws.

In the past the Commission has not been afraid to tackle national post offices' anti-competitive measures by forcing member states such as Italy to lift restrictions on international couriers. SFEI, the French private courier association, has complained that indirect subsidies of more than £150m from monopoly revenues have been given to Chronopost, its semi-state rival. The Commission should address that problem by preventing the most obvious forms of cross-funding.

The Commission also appears to have sided with private courier companies over their demands for a more liberal postal service within the Community. It is expected to argue that the system of charging between national postal administrations for delivering each others' mail, known as terminal dues, should be reformed to reflect true costs.

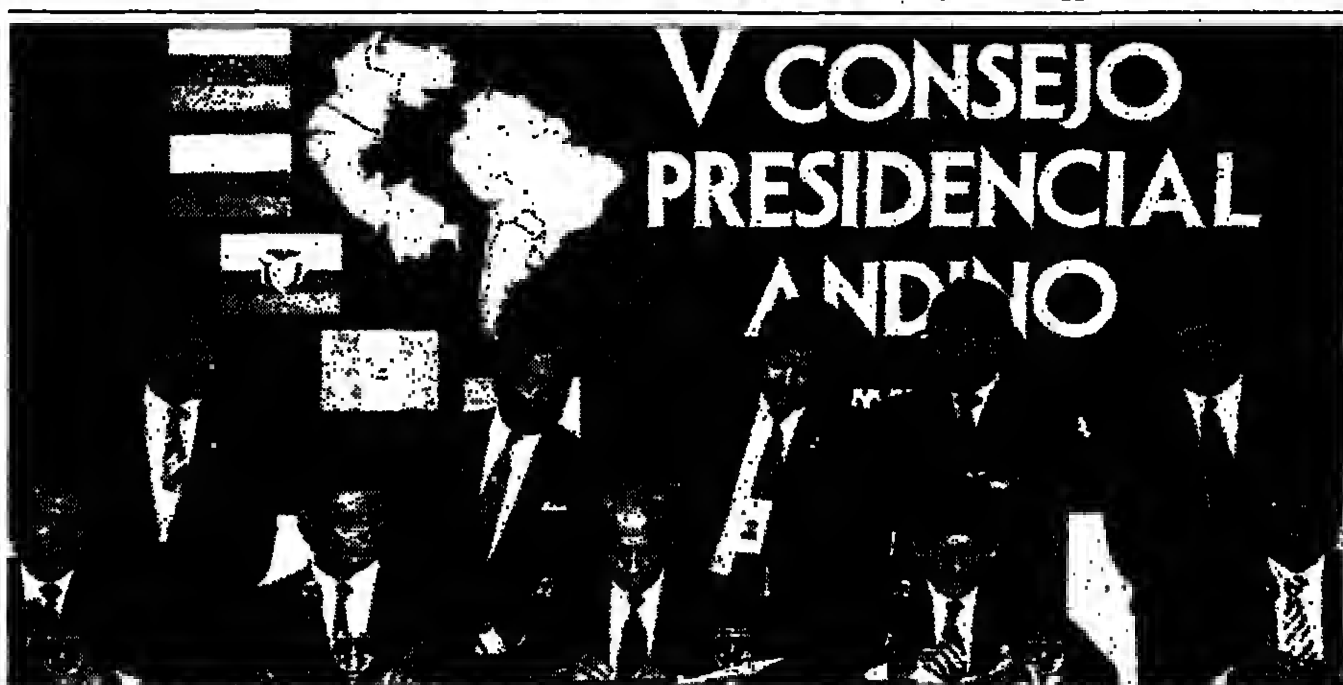
But that is where agreement ends. Although the Commission says it has clarified its draft report to emphasise the importance of competition, the telecommunications directorate has ensured the final version will reject calls for total liberalisation. As one EC official put it: "We are not in the business of allowing a private courier firm to cream-off the most lucrative areas in the community."

Mr Michael D'Arcy, an EEO spokesman, still believes the competition directorate will not stand for a European letters monopoly, whether by price or weight. However, the directorate appears to have accepted that universal service should remain a central principle of the EC postal system. That suggests Brussels will endorse continued monopolies for letters and printed papers to cover the fixed costs of the network.

The DHL-led Association of European Express Carriers will accept a minimum service available to all countries as long as value-added services are open to competition. The EEO may also be able to live with that.

But anything less will ensure the battle over Europe's postal services continues. In the words of a senior executive of one private courier service: "Rowland Hill had to fight long and hard to change Britain's postal services. We are determined to do the same to reform the postal system in Europe."

THE EUROPEAN MARKET



Summit in Caracas: from left, presidents Rodrigo Borja Cevallos of Ecuador, Jaime Paz Zamora of Bolivia, Carlos Andrés Pérez of Venezuela, César Gaviria of Colombia and Alberto Fujimori of Peru

Andean leaders breathe fresh life into regional pact

By Joe Mann in Caracas

THE presidents of five South American nations, meeting in Caracas over the weekend, signed an accord designed to implement fully an Andean regional free trade zone by the end of 1995.

The agreement calls for e progressive reduction of tariffs and other barriers to regional trade, as well as the elimination of commercial problems that have plagued the process of Andean regional integration for years.

The presidents of Bolivia, Colombia, Ecuador, Peru and Venezuela, whose nations make up the Andean Pact (or Andean Common Market), also agreed to begin negotiating as e block with the US to take advantage of President George Bush's "Enterprise for the Americas" initiative.

In addition, the group said it would set up a $40m (£23.1m) fund to aid Peru.

The Andean nations' actions represent e tardy response to direct negotiations between Mexico and the US on establishment of e free trade zone, and to the recent organisation of the Southern Common Market, made up of Argentina, Brazil, Paraguay and Uruguay. The Andean Pact, set up in 1973, has wasted many years through disputes among members and bureaucratic lethargy.

The pact originally included Chile, which quit the organisation in 1976 and has generally enjoyed much stronger and more stable economic growth than that of the other member states.

Until a few years ago the pact also committed the error of imposing a restrictive code on foreign investment.

Mr Carlos Andrés Pérez, Venezuelan president, said at a news conference following the summit that Andean integration would establish a market of between 90m and 100m people.

Ethiopian guerrillas step up offensive

By Julian Ozanne in Kampala

ETHIOPIAN rebels claimed yesterday to have dealt their most devastating military blow to the embattled regime of President Mengistu Haile Mariam, advancing to within 90km of the capital, cutting off e strategic road and seizing three key towns.

The latest setback for the enfeebled regime in Addis Ababa, confirmed by western diplomats, comes eight days before peace talks are due to open in London, which observers say could represent the last chance to prevent a bloody battle for the capital.

The rebel advances over the weekend are e clear attempt to tighten the screws on the government and force them into greater compromises at the talks.

The Ethiopian People's Revolutionary Democratic Front said it had retaken Ambo and advanced 15km further along the road to Addis Ababa. It also claims to have overrun an estimated 30,000 government troops at Dessie, the provincial capital of Wollo, and Kombolcha, surrounded thousands of troops at Debre Sina and taken Mile, cutting off the capital from the last government-held Red Sea port of Assam.

Fierce fighting was reported to be continuing in the area around the towns. Independent confirmation of the capture of Mile was not available.

With euphoric rebel forces advancing from the west and north against demoralised government troops, observers say an end to Mr Megistu's 14-year dictatorship is imminent. If the rebels have indeed cut the Assam road the most important source of fuel, food and other supplies to the capital has been severed.

There are mounting fears for millions of Ethiopians facing starvation this year. Dessie and Kombolcha were strategic forward bases set up for operations mounted by the United Nations and aid agencies to store and transport food across the battle lines into northern Wollo and the highlands of Tigray and Eritrea.

Several foreign aid workers and many trucks are trapped behind the new battle lines and at least one warehouse is believed to have been destroyed in the fighting.

The peace talks in London next week, under US auspices, provide the only hope that a huge human catastrophe can be averted. Both main rebel groups, the EPRDF and the Eritrean People's Liberation Front, have recently indicated e willingness to end the military struggle and participate in a broad-based interim administration paving ths way for internationally monitored democratic elections.

The government has also shown some willingness to moderate its position but there is uncertainly as to whether it is committed to sharing power.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

	UNITED STATES Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	JAPAN Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	275.3	-136.8	-125.5	0.7891	96.9	213.3	56.7	44.1	187.03	97.9
1985	279.8	-174.2	-160.5	0.7623	100.0	230.8	76.0	64.5	180.50	100.0
1986	230.9	-140.8	-147.8	0.9836	80.2	211.1	96.2	86.8	165.11	124.4
1987	220.2	-131.8	-140.6	1.1541	70.3	197.8	86.1	75.2	166.58	133.2
1988	272.5	-100.2	-108.9	1.1833	66.0	219.8	80.7	66.5	151.51	147.3
1989	330.2	-99.3	-99.9	1.1017	69.4	245.4	70.3	52.3	151.87	141.8
1990	309.5	-78.8	-77.9	1.2745	65.1	219.8	50.0	28.4	183.94	126.0
2nd qtr.1990	81.0	-16.7	-18.6	1.2223	67.3	53.7	11.1	6.5	189.78	119.6
3rd qtr.1990	74.4	-21.7	-20.4	1.2990	64.1	54.3	12.7	5.4	188.35	123.7
4th qtr.1990	74.7	-19.1	-20.2	1.3714	60.8	55.2	12.5	4.3	179.38	133.8
1st qtr.1991					61.8	58.2	16.9	13.3	179.59	132.1
April 1990	26.4	-6.0	n.a.	1.2123	68.5	17.2	3.1	1.9	191.91	117.9
May	26.3	-6.3	n.a.	1.2320	67.4	17.9	3.1	1.7	189.44	120.3
June	28.0	-4.4	n.a.	1.2227	67.8	18.6	4.8	2.9	188.00	120.7
July	25.4	-7.2	n.a.	1.2625	65.6	16.1	4.1	1.8	165.13	122.2
August	24.7	-7.4	n.a.	1.3192	63.7	17.7	4.4	2.2	184.52	120.8
September	24.3	-7.1	n.a.	1.3153	63.0	18.4	4.2	1.8	182.38	128.5
October	25.3	-8.1	n.a.	1.3566	60.9	18.4	4.3	1.8	175.95	136.6
November	24.7	-6.4	n.a.	1.3861	60.2	18.4	4.1	1.5	178.84	134.8
December	24.3	-4.6	n.a.	1.3716	61.2	18.3	4.0	0.9	183.34	130.9
January 1991	25.2	-6.8	n.a.	1.3625	61.2	13.7	5.2	2.9	182.11	131.1
February	24.1	-3.6	n.a.	1.3897	60.2	18.4	5.2	4.2	182.23	133.2
March					63.9	21.2	8.6	6.3	175.44	132.0

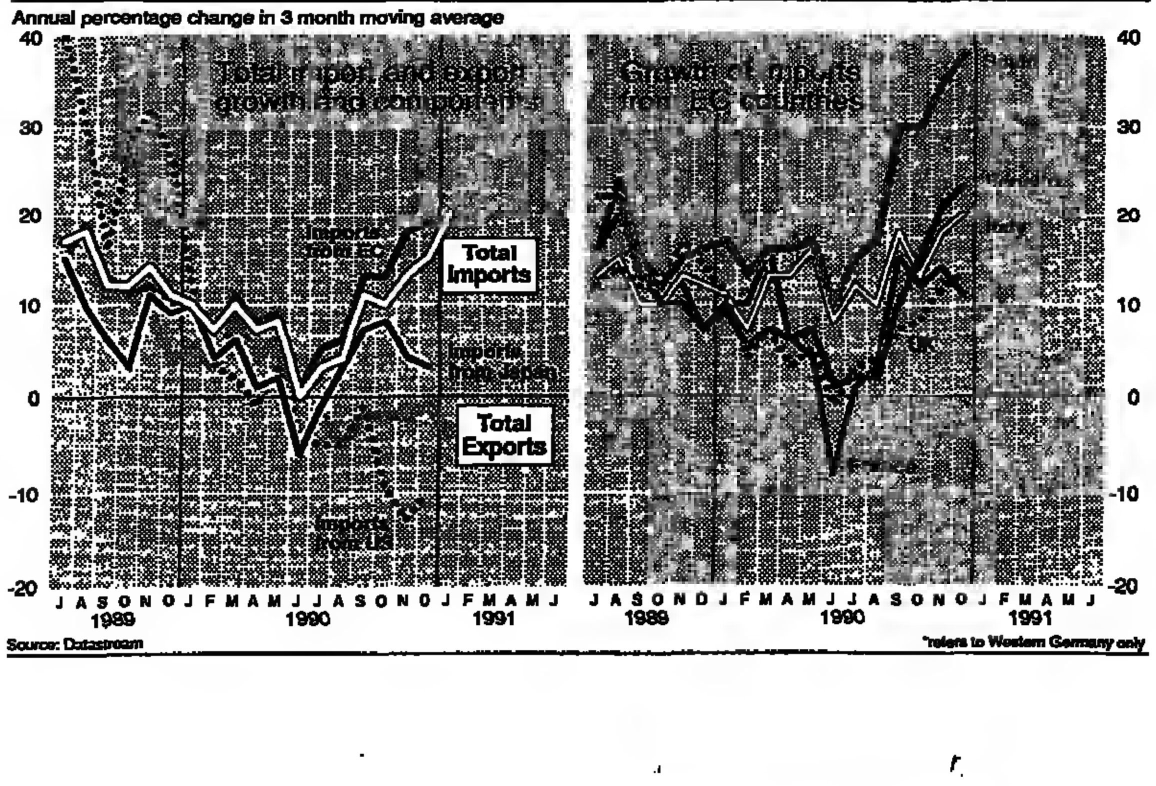
	GERMANY Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	FRANCE Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	*218.3*	*24.2*	12.5	*2.2387*	*100.0*	123.7	-3.6	-1.1	6.8715	99.1
1985	*242.8*	*33.3*	*21.7*	*2.2259*	*100.0*	133.4	-4.5	-0.2	6.7941	100.0
1986	*248.8*	*53.5*	*40.3*	2.1279	*108.8*	127.1	-0.1	3.0	6.7946	102.8
1987	*254.2*	*56.7*	39.8	*2.0712*	*115.3*	128.3	-4.5	-3.3	6.9267	103.0
1988	272.6	61.7	42.8	2.0739	114.6	141.8	-4.6	-3.4	7.0354	100.8
1989	*310.2*	*65.3*	52.9	*2.0681*	113.5	162.9	-6.4	-3.6	7.9169	99.8
1990	324.2	51.5	37.7	2.0537	119.1	170.3	-7.2	-4.5	6.9202	104.8
2nd qtr.1990	*77.8*	14.2	*8.9*	*2.0507*	*118.7*	42.1	-1.6	-1.8	6.8968	104.7
3rd qtr.1990	82.1	12.5	7.2	2.0682	118.6	41.9	-2.7	-2.3	6.9343	104.8
4th qtr.1990	82.5	7.2	6.2	2.0589	120.0	42.2	-2.4	-1.1	6.9400	105.6
1st qtr.1991					113.8	42.4	-2.0		6.9934	104.3
April 1990	*26.8*	*4.9*	*2.9*	*2.0445*	*119.2*	13.9	-0.58	-0.65	6.8674	105.2
May	*26.0*	*5.3*	*4.5*	*2.0483*	*116.9*	14.1	-0.75	-1.10	6.8962	104.7
June	*25.2*	*4.0*	*1.5*	*2.0692*	*118.0*	14.2	-0.30	-0.01	6.9268	104.1
July	27.1	4.6	2.2	2.0679	118.0	14.0	-0.63	-0.63	6.9360	104.4
August	27.6	4.1	1.8	2.0713	119.0	14.2	-0.75	-0.45	6.9488	105.1
September	27.4	3.8	3.2	2.0653	116.7	13.8	-1.37	-1.23	6.9172	105.3
October	28.1	4.5	3.3	2.0679	119.0	14.8	-0.84	-0.29	6.9255	105.5
November	27.8	1.8	0.8	2.0583	120.2	14.4	-0.20	0.28	6.9299	105.8
December	26.5	1.3	2.1	2.0506	120.8	13.1	-1.34	-1.13	6.9645	105.3
January 1991	28.4	0.7	-1.0	2.0560	120.2	14.5	-0.84	-0.37	6.9846	104.7
February	26.6	1.4	-0.8	2.0567	120.7	13.9	-0.60	-0.20	7.0006	104.8
March					118.6	13.9	-0.67		6.9951	103.2

	ITALY Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	UNITED KINGDOM Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	
1984	93.4	-13.9	-5.2	1381.5	105.9	118.9	-9.0	3.1	0.5908	100.6	1984
1985	103.7	-16.0	-5.4	1443.0	100.0	132.4	-5.7	4.7	0.5891	100.0	1985
1986	99.4	-2.5	-1.4	1461.8	101.4	106.3	-14.1	-0.1	0.6708	91.5	1986
1987	100.7	-7.5	-2.1	1494.3	101.2	112.7	-15.9	-6.1	0.7047	90.1	1987
1988	108.3	-8.9	-8.0	1536.8	97.8	121.8	-31.7	-23.4	0.6643	95.5	1988
1989	127.8	-11.3	-17.9	1509.2	98.6	138.0	-35.7	-29.6	0.6728	92.6	1989
1990	133.7	-11.2	-24.0	1523.2	100.0	143.7	-25.0	-17.9	0.7150	91.8	1990
2nd qtr.1990	36.4	-3.4	-5.1	1506.1	101.4	35.4	-7.2	-6.5	0.7300	88.6	2nd qtr.1990
3rd qtr.1990	31.2	0.2	-1.3	1527.7	100.7	36.7	-5.4	-3.5	0.6978	94.2	3rd qtr.1990
4th qtr.1990	35.6	-2.0	-9.8	1547.5	99.8	36.8	-4.2	-1.2	0.7050	94.1	4th qtr.1990
1st qtr.1991	32.4	-4.2		1540.7	100.1	35.6	-4.2	-2.1	0.7039	93.8	1st qtr.1991
April 1990	11.1	-0.6	-2.4	1501.8	101.8	11.5	-2.8	-2.3	0.7404	87.1	1990 April
May	11.8	-3.7	-1.4	1504.9	101.8	12.0	-2.1	-1.8	0.7343	88.0	May
June	12.8	0.8	-1.4	1511.9	101.9	11.9	-2.3	-2.1	0.7153	90.4	June
July	13.0	1.8	-1.9	1514.7	101.2	11.7	-2.8	-1.9	0.6952	93.5	July
August	7.5	0.2	0.1	1526.2	101.2	12.2	-1.8	-1.2	0.6944	95.3	August
September	10.7	-1.2	-1.0	1542.3	99.7	12.7	-1.9	-0.4	0.7001	93.8	September
October	12.4	-1.0	-8.0	1548.3	99.4	12.5	-1.8	-0.6	0.6974	94.8	October
November	10.9	-2.4	-2.1	1547.4	99.9	12.4	-1.4	-0.4	0.7055	94.2	November
December	12.5	1.3	-2.7	1545.6	100.1	11.9	-1.2	-0.2	0.7123	93.3	December
January 1991	9.9	-3.2		1545.7	100.0	11.8	-1.8	-1.1	0.7042	94.1	1991 January
February	11.3	-0.6		1543.2	100.5	11.8	-1.0	-0.3	0.7070	94.3	February
March	11.1	-0.3		1533.1	99.8	12.0	-1.8	-0.8	0.7005	92.9	March

All trade figures are seasonally adjusted except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Growth of German* imports and exports

Annual percentage change in 3 month moving average



Source: Datastream

*refers to Western Germany only

Conducting trade with the new Germany

EUROPEAN countries have benefited most from the rise in Germen imports following last July's monetary unification. Within Europe, UK and French exporters have fared relatively badly while Spain's exports to Germany have ehowed the greatest percentage growth rates over the past year.

Higher consumer apending in Germany has raised the demand for imported goods. The rise in German interest rates, and consequent appreciation of the D-Mark, made these imports cheaper and encouraged west German companies to awitch production from exports to the domestic market. German exports stagneted throughout 1990, while rising imports have pushed Germany's trade balance into deficit, as the table shows.

The left-hand chart showa annuel growth rates of total west German exports, total west German imports, and imports from the EC, Japan and Germeny. West German imports constituted 97.9 per cent of total German imports in the fourth quarter of 1990.

EC countries heve been the main beneficiaries of rising import demand. Growth of imports from the EC have outpaced the growth in the total value of west German imports. Thus the EC share of total west German imports has risen to 53.4 per cent in the fourth quarter of 1990 from 51.6 per cent a year earlier. The US share has slipped from 7.4 to 5.9 per cent, and Japan'e from 6.3 to 5.6 per cent over the same period.

As a guide to trends in underlying trade performance these figures must be interpreted with caution. Changes in relative shares in the total value of west German imports reflect the appreciation of the D-Mark against the dollar and the yen as well as changes in trade volumes.

The D-Mark value of US exports to Germany in the fourth quarter of 1990 was 9.5 per cent lower than in the same quarter a year earlier. But the dollar value of US exports to Germany rose by 9.2 per cent over the same period. The reason for this apparent discrepancy is the US dollar's 17 per cent depreciation against the German currency. This reduced the value, measured in D-Marks, of any given dollar value of US exports. US companies were not able to raise the volume of their sales sufficiently to offset the fall in the D-Mark unit value of their sales.

This problem does not arise to the same degree for EC countries, as their exchange rates are linked to the D-Mark within the European exchange rate mechanism.

Spein's exports to Germany grew fastest, as the left-hand chart shows, with exports from France and the UK showing the lowest growth rates. Spain's share in total German imports has risen over the past year but remains relatively low; 2.6 per cent of total west German imports in the fourth quarter of 1990, compared to 12 per cent for France and 6.9 per cent for the UK.

The rise in Germany's demand for imports has stimulated export growth throughout Europe. But the accompanying rise in German interest rates has required some European countries to keep their own interest rates higher than they might otherwise wish, in order to maintain their parities against the D-Mark. The net effect was probably to slow European economic growth in 1990.

Edward Balls

● *In recent weeks the FT has published the following tables: Money and Finance (April 22), Production and Employment (April 29), Prices and Competitiveness (May 7) and National Accounts (May 13). Back issues can be obtained by writing to the Back Issues Department et the FT or by telephoning 071-873-4683/4*

Small company failures reach a 20-year high

By Richard Waters

THE NUMBER of small company failures climbed sharply in the first quarter of this year and now stands at its highest level for 20 years, according to figures compiled by KPMG Peat Marwick McLintock, the accountancy firm.

A total of 5,478 companies went into liquidation in the first quarter of this year, a leap of 77 per cent compared with the 3,094 in the same period in 1990, according to Peat.

However, Mr Tim Hayward, head of insolvency at the accountants, cautioned against reading the figures as a sign that the UK recession was deepening. Liquidations were a lagging indicator, reflecting problems which developed six to nine months ago, he said.

Also, companies going into liquidation were generally small, and many were simply dormant companies being wiped off the companies' register. Receivership figures, already published for the first quarter of this year, were better indicator of the state of corporate health, he said.

In spite of this, the liquidation figures hint at a deepening of the recession beyond London and the south-east, where it has been felt most acutely.

While liquidations in the south-east rose by 61 per cent in the first three months of the year, those in the Midlands jumped by 130 per cent (to 717); in south Wales by 130 per cent (163); in the north-west by 93 per cent (745); and in the south-west by 92 per cent (273).

Peat is forecasting 20,000 liquidations 20,000 this year, compared with the previous high of 15,000 in 1985. The growth is partly due to the rise in the number of companies formed in the last half of the 1980s.

Labour downgrades income tax pledge

By Philip Stephens, Political Editor

THE Labour party yesterday downgraded its commitment to the introdnction of a lower starting rate of income tax, suggesting that it will not be a priority in the early years of a government led by Mr Neil Kinnock.

Mrs Margaret Beckett, the party's spokeswoman on public spending, also insisted that Labour's pledges to boost spending on education, health, transport and overseas aid involved no commitment either to particular figures or to a fixed timescale.

Her comments came as Mr Chris Patten, the Conservative party chairman, promised a detailed costing of the spending pledges in Labour's policy documents.

He responded to Mrs Beckett's stance by insisting that the opposition had been forced "on the run" for attempting to mislead the electorate. Those shadow ministers in charge of spending portfolios promised to inject large amounts of new cash into public services, while the shadow Treasury team insisted they would not. "Labour are already backtracking on every pledge they have ever made", Mr Patten said.

In an interview on BBC television, Mrs Beckett insisted repeatedly that the only unequivocal promise was to raise the levels of child benefit and state pensions. That would be financed by increased income tax rates for the high paid and the removal of the ceiling on National Insurance Contributions.

Other pledges – particularly those relating to ending "underfunding" of the health and education services – would only be met gradually as resources permitted. That meant there could be no guarantee they would be implemented over the lifetime of a single parliament.

Monkey business: London Zoo increased visitor numbers last year and stayed the ninth most popular tourist attraction

Visits to museums and art galleries rise by 6%

By David Churchill, Leisure Industries Correspondent

VISITS to the UK's museums and art galleries rose by 6 per cent last year, according to figures released today by the British Tourist Authority.

The most popular museum was the British Museum in London with 4.77m visitors last year, compared with 4.40m in 1989. It was followed in popularity by the National and Tate Galleries in London.

Museums and galleries in London attracted 11 per cent more visitors in 1990 than in the previous year. The Royal Academy increased visitor numbers from 788,000 to 1.31m and its Monet exhibition attracted 658,000 visitors in just 13 weeks.

Glasgow's cultural centres were buoyed by the city's designation as 1990 European City of Culture and its museums and galleries saw a 17 per cent increase in visits.

Madame Tussaud's, the London waxworks owned by Pearson Group, publisher of the Financial Times, was the most popular paid-for attraction for the fifth year running but visitor numbers fell from 2.61m in 1989 to 2.55m last year.

The London Zoo, now facing closure because of a financial crisis, retained its place as the ninth most popular tourist attraction, increasing visitor numbers from 1.22m to 1.25m.

Mr William Davis, BTA chairman, said the figures highlighted the variety of tourist attractions in Britain. "There is a lot more to this country than castles and beefeaters."

Brooke may scrap Ulster initiative if today's talks fail

By Ralph Atkins and Our Belfast Correspondent

MR PETER BROOKE, Northern Ireland secretary, will try once more today to save initiative for talks involving nationalist and Unionist parties in the province as well as the government of the Irish Republic.

The rescue attempt comes amid an increasingly damaging dispute over procedural arrangements which has wrecked progress so far.

Planned bilateral meetings in Belfast will test Mr Brooke's skills as a conciliator. If there is no progress, he may call a halt to the process.

The row over last week's meeting between Unionist leaders and Mr John Major, the prime minister, has seriously undermined Mr Brooke's credibility in the eyes of nationalist and Unionist delegations.

A dispute over the interpretation of that meeting forced Mr Brooke to delay today's planned "round-table" talks on devolving government between Northern Ireland's main constitutional parties. He will hold separate meetings with the parties instead.

Unionists accused Mr Brooke of being manipulated by nationalists and of reneging on deals struck at Downing Street over the arrangements for a later strand of talks involving the republic's government.

In an act of apparent defiance, the Unionist delegations plan to arrive at Stormont at 10.30am today as if "round-table" talks were going ahead.

SDLP leaders are known to be angry with Mr Brooke for allowing the Unionists to bypass an ultimatum on agreeing procedures for talks with the Irish government.

There is suspicion in the SDLP that unionists want to split talks on a devolved government from the rest of the process and that the meeting with Mr Major was a stunt which has allowed the Unionists to claim it is not they who are blocking the talks.

Before the meeting with Mr Major, both Mr John Hume, SDLP leader, and Dr John Alderdice, Alliance leader, had agreed a formula with Mr Brooke which would have got round table talks underway this morning.

At the weekend, Mr James Molyneaux and the Rev Ian Paisley, the two Unionist leaders, published a memorandum to the Northern Ireland secretary. It states that they are still seeking clarification on aspects of the proposed independent chairman for talks with the Irish government and the precise location in Northern Ireland for those talks.

CBI/FT DISTRIBUTIVE TRADES SURVEY

Retail sales held down by growth in unemployment

By Rachel Johnson, Economics Staff

RETAIL sales volumes remain "firmly on the bottom" and are likely to stay there as a result of rising unemployment, according to the April survey of the distributive trades.

The joint survey by the Confederation of British Industry and the Financial Times is published ahead of today's official retail sales figures for April. Its findings suggest that trading volumes dropped again last month after March's buying spree to beat Budget rises in VAT and excise duties.

Mr Nigel Whittaker, chairman of the survey panel, attributed the weakness of Britain's high streets to the combination of rising unemployment and low consumer confidence. Last week, the government reported that unemployment in Britain rose by 84,100 to 2.175m in April. The worst affected sector, according to the survey, was the motor trade, which has suffered severely from slack consumer demand. "While wholesalers say the decline in sales has now moderated, motor traders indicate that the dramatic decline in sales intensified further in April," said Mr Whittaker.

The fall in sales was "expected to intensify in May." As stocks remained high, traders reported they were having to cut back on orders placed to suppliers – suggesting that UK car production to the domestic market is set for even weaker conditions in the coming months. Four out of five respondents said sales were "poor" for this time of year.

Only 6 per cent of motor traders reported sales were higher in April than in April 1990, with 85 per cent reporting them to be down. The balance between the two, which gives the guide to the trend, was −79 per cent. This is the sharpest fall so far uncovered by the survey, which covers 15,000 outlets in the wholesale, retail, and motor trades.

Sales of total distribution, covering all three categories, were also in decline, as dictated by weak demand conditions. However, the pace of decline does appear to be slowing. There was a balance of −21 per cent of companies reporting lower sales, compared with −25 per cent in March and −32 per cent in February.

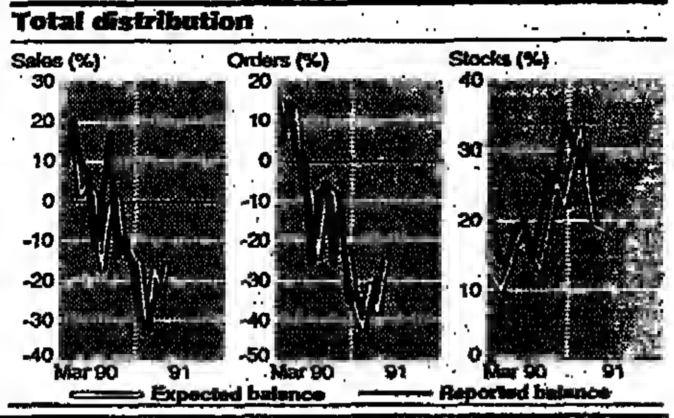
However, while there was some scant evidence that sales were bumping along the bottom, there were few indications of actual recovery.

The April distributors' balance compares with one of +21 per cent in April last year. Meanwhile, retailers report that sales "have remained unchanged, on balance, after the pick-up in March".

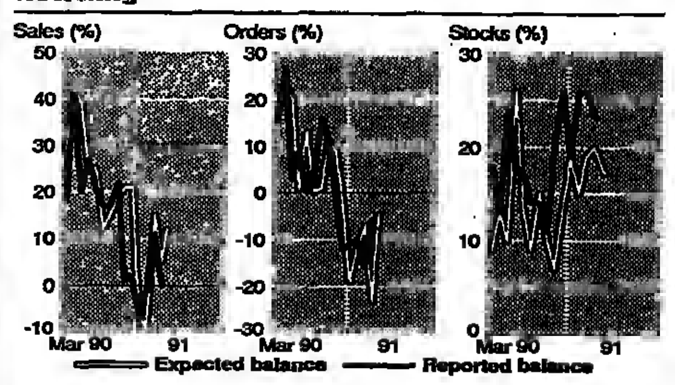
For the 12th consecutive survey, distributors report placing a lower volume of orders with suppliers than in the same month a year ago; the balance of −29 per cent suggests that the pace of falls is slowing, as the March decline was −38 per cent. Distributors still regard stock volumes as too high in relation to expected sales.

Retailers said that in spite of the post-Budget surge of 3.6 per cent in March sales volumes, April levels were unchanged from a year earlier. This zero balance compares with +11 per cent in March. Only grocers, chemists and retailers of household textiles reported that sales in April were above a year earlier while retailers of specialist foods, footwear and leather, hardware, china and DIY goods, and off-licences reported annual sales drops. In May, a balance of +12 per cent expected higher sales.

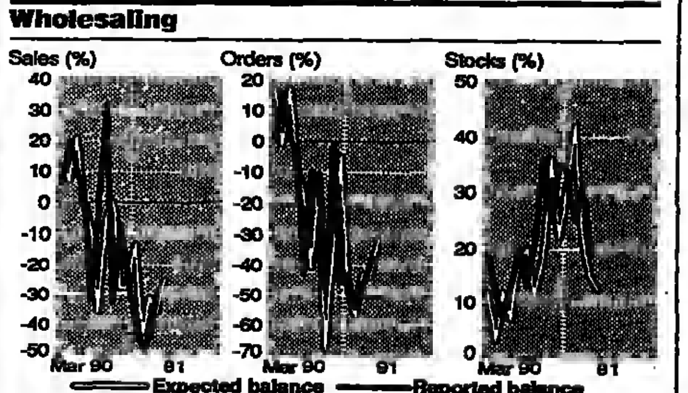
Total distribution



Retailing



Wholesaling



Sales of oral hygiene products above £300m

By Alice Rawsthorn

SALES OF oral hygiene products, such as toothpaste, toothbrushes and mouthwashes, rose from £265m in 1989 to more than £300m last year, according to Euromonitor, the market research company.

The market is set for steady growth into the mid 1990s and Euromonitor expects it to show real growth of 17 per cent by 1994.

Britain is still behind the US, where oral hygiene sales reached more than $3bn (£1.7bn) last year. But the UK market is larger than several other European markets, notably France, where the average person only replaces their toothbrush once a year.

Over the next few years new products are likely to make inroads into the UK. These include anti-plaque products, such as medicated mouthwashes and specialised toothpastes to tackle tartar and gingivitis. Toothbrush sales will continue to be buoyed by the growing popularity of "professional" toothbrushes with features that are "endorsed" by dentists. The only area of gloom is in the market for false teeth: advances in dental treatment since the 1960s mean that fewer people now need them. Euromonitor expects the false teeth market to fall from £36m in 1990 to £34m in 1994.

Oral Hygiene: The International Market, Euromonitor, 87-88 Turnmill St, London EC1M 5QU. £1,250.

UK NEWS

Major attacks on health, education

By Philip Stephens, Political Editor

MR John Major will this week attempt to take the general election battle to opposition Labour party's traditional strongholds of health and education after an unprecedented weekend slanging match over the NHS.

In a ferocious fight for the political initiative, Labour indicated that it will intensify its attacks on the government's handling of the economy. It demanded an immediate 1-point cut in interest rates and an emergency package of measures to help the unemployed.

In a speech tomorrow, the prime minister will claim that the economy has reached a turning point, with the fall in inflation paving the way for the end of recession. He will warn the Confederation of British Industry, however, that the speed of that recovery will depend on negotiators holding down the level of pay awards.

Mr Major will then spell out to the CBI his plans for a "revolution" in the provision of further and higher edncation which would remove colleges of further education from local authority control and end the divide between polytechnics and universities, designed to increase by tens of thousands the number of new stndent places by 1995.


John Major: taking poll offensive to Labour strongholds

The White Papers, which Mr Major is to launch personally, will follow a promise given yesterday by Mr Chris Patten, the Conservative Party chairman, that within the naxt few months the government would set out a "social and economic vision" for tha 1990s.

The prime minister's decision to go on the offensive was met with derision from the Labour party.

Mr Gordon Brown, shadow trade and industry spokesman, said Mr Major was "on the run over the health service and on the rails over economic failure."

The bitter dispute over the impact of the NHS reforms intensified as Mr Major twice repeated his allegation that Labour had deliberately "lied". The row centres on Labour's claim during the Monmouth by-election that trust hospitals established under last month's health reforms had "opted out" of the NHS.

Mr Robin Cook, opposition health spokesman, challenged Mr William Waldegrave, health secretary, to admit that he had ceded control in trust hospitals of the building, levels of staffing and levels of patient care.

However, the language in Mr Cook's challenge - referring to the trusts opting out of their "health authority" rather than from the NHS - was seized upon by ministers as a sign that Labour was retreating.

Fabians warn of job losses

By Michael Smith, Labour Correspondent

TARGETS aet by tbe opposition Labour Party opposition for a proposed national minimum wage could lead to significant job losses and may not lift the relative earnings of the low-paid, according to a pamphlet published yesterday by the Fabian Society.

The paper will be seized npon by tbe Conservative Party, which is embroiled in a row witb Labour ovar the effects of a minimum wage. The Fabian Society is a Labour Party affiliate.

Labour has said that initially it will set tha national minimum wage at a half of median men'a earnings, with an eventual target of two-thirds of the median male hourly rate.

The Fabian Society pamphlet, written by Mr Fred Bayliss, a former civil servant, says the initial target should be half median earnings of all workers, including women. A target beyond that could spark a reaction, making it less likely that the relative position of the low-paid will improve and more likely that "destructive economic consequences will ensue." He says the eventual target of two-thirds of median earnings may require a more concerted policy by employers and unions to minimise job-losses than they are capable of sustaining.

Meanwhile, Mr Rodney Bickerstaffe, general secretary of the NUPE pnblic sector union, yesterday poured scorn on government estimates that 2m jobs would be lost through the introduction of a minimum wage. Jobs would be created, be said, because employers would be forced to compete on productivity, rather than low wages, and the spending power of the low-paid would increase.

The initial target of half median earnings would hardly provide a living waga, Mr Bickerstaffe told his union's annual conference in Scarborough, north-east England, bnt it would benefit 4.5m people.

In the Fabian Society pamphlet, Mr Bayliss says that, if the relative position of the low-paid is to be improved, the minimum wage must move up by larger increases than pay generally. However, there would be a tendency for other workers always to want at least as big an increase as the low-paid.

An initial level at half median earnings would be higher than all wage council rates and the two lowest pay rates in the National Health Service and local anthorities. It would directly benefit 1.8m workers.

However, it would not be so high that unions could justify using tha new minimum as an excuse for leap-frogging pay claims.

Mr Bayliss advocates the creation of a Minimum Wage Commission of labour market specialists, economists, business people, and trade unionists to advise on levels every year.

Disillusion on payment by performance

By John Gapper

SOME companies which introduced individual performance-related pay in the 1980s are considering switching to group bonuses to improve team working.

A study for the Department of Employment of pay pressures in the private sector, undertaken for the Department of Employment, has found some disillusion among companies over performance-related pay and donbts over its wbether it is useful for manual workers.

The study of 25 companies found eight intended to increase reliance on individual performance-related pay, but others had "strong reservations" over wbetber it was worth introducing for manual workers.

Manufacturing companies in particular said individual performance-related pay had conflicted with team work and reduced output quality.

Law Society at odds with Borrie over audit report

By Robert Rice, Legal Correspondent

THE LAW SOCIETY has called on Mr Peter Lilley, trade and industry secretary, to reject a report by Sir Gordon Borrie, director-general of fair trading, on the ownership and control of audit firms.

The new scheme for the regulation of auditors under the 1989 Companies Act provides for regulatory bodies to be recognised by the Department of Trade and Industry.

The Institutes of Chartered Accountants have applied for recognition and stipulated in their rules that at least 75 per cent of the partners or shareholders in an audit firm should be qualified accountants.

Sir Gordon'a report concludes that this rule is anti-competitive. He took into account the possibility that "when other professions, notably the legal professions, relax their rules on multi-disciplinary practices (MDPs) some accountancy firms whicb are eligible for appointment as company auditors will seek to enter these fields".

Sir Gordon concluded that the 75 per cent rule would inhibit the development of MDPs and was anti-competitive.

The Law Society, whicb is opposed to solicitora being allowed to enter into MDPs with other professionals, fears domination by the large accountancy firms if the govarnment forces through a relaxation in the rules governing mixed partnerships.

Tbe society criticises Sir Gordon's approach saying there is no evidence to support his claim that competition would be enhanced by a more relaxed rule.

It argues that competition in the market for audit services may be more affected by those who buy audit services than the ownership and control of audit firms.

The society supports the accountants' view that the restrictions on ownership and control are essential to the independence and integrity of the audit function and it urges Mr Lilley to recognise that the rules are justifiable for this reason.

TV companies say franchise group has made erroneous bid

By Raymond Snoddy

THE INDEPENDENT television companies threatened by bids from CPV-TV – the company associated with Mr David Frost, the television personality, and Mr Richard Branson, founder of the Virgin Group – claim to have found a significant error in its application documents.

CPV-TV has promised to provide far higher levela of regional programming than the incumbents in its bids for the franchises now held by Thames, the London weekday station, TVS in southern England and Anglia in eastern England.

The Frost-Branson consortium pledges to provide 36 hours of regional broadcasting a week. By contrast, Thames promised to increase ita regional programming from seven to saven-and-a-half hours.

Similarly CPV-TV, which is backed by Royal Bank of Scotland and the Charterhouse finance group, talks of 60 hours and 40 minutes of regional programmes a week in its applications against TVS and Anglia. This compares with the 17 hours offered by TVS.

On the surface, such high bours of regional programmes would appear to leave little time for the national network programmes which bring in large audiences and revenues.

Mr John Gau, chief executive and director of programming at CPV-TV, said yesterday that the details of its regional broadcasts had included an overnight service which would be broadcast only in the region and would be largely made up of acquired programmes.

The Independent Television Commission, which is now beginning work on the 40 applications for the 16 commercial broadcasting licences on Channel 3, as ITV will be known, yesterday confirmed tbat CPV-TV had got it wrong.

Applicants had been expected to list their own productions or commission programmes in the regional hours programme.

The ITC said the error would not invalidate the CPV-TV bids, although clarification might be needed.

Mr Charles Levison, managing director of CPV-TV, yesterday said of the company's critics: "Presumably tbey are concerned we have made a higher offer and that is why they are trying to trash our application."

Bidders and ITV companies alike are reading through the various application documents of tbeir rivals looking for weaknesses.

Thames notes that both of its opponents, CPV-TV and Mr Michael Green's Carlton Communications, are planning their own twice-weekly series which Thames believes would replace The Bill, the popular police series. CPV merely says its series will be based in the south and will appeal to C3's peak-time audiences.

Rise in national savings

By Philip Coggan, Personal Finance Editor

NATIONAL savings products proved alluring to investors in April, attracting a net £251m to the government's coffers.

A flourishing ranga of national savings prodncts will be welcome news for the government as it faces the need to finance a budget deficit.

Througbont 1990 and the first quarter of 1991, investors made net witbdrawals from national savings products.

In spite of the recent fall in inflation, the most popular prodncts in April were the index-linked certificates, which pay 4.5 per cent above tbe retail prices index tax-free if held for five years. A net £128.9m was invested in index-linked certificates last month.

Fixed interest certificates received a net addition of £16.7m and income bonds received a net £57.9m.

The only account to suffer a net repayment was the ordinary account with £3.1m.

The total invested in national savings is £36.9bn.

Morris sees 'turbulence' ahead if elected

By John Gapper, Labour Editor

MR BILL MORRIS, deputy general secretary of the TGWU general union, has predicted a "turbulent" period if be is elected its next leader because the union's powerful regional secretaries oppose reforms be wants to make.

He said in an interview with the Financial Times that he migbt press for tbe 11 regional secretaries, who have largely opposed his election as the successor to Mr Ron Todd, to face election themselves if they obstructed his plans to devolve power to local districts rather than regions.

Mr Morris said he hoped for "reconciliation not retribution" if be was elected. But tbe regional secretaries, who have mostly supported his main opponent Mr George Wright, would have to accept that he would have a democratic mandate.

He said he was not advocating elections for regional secretaries at the moment. However, if there was significant resistance to his policies from regional secretaries, he "would not not hesitate to appeal to the members.

"It is going to be fairly turbulent at the start, I bave no doubt about that, but it will calm down," said Mr Morris. He said the wbole question of the future democracy and structure of the union would have to be reappraised.

He said that he "did not see wby people who have wide areas of influence should not be subject to election."

At the moment, the regional secretaries are appointed directly by the unions national executive.

Any move towards elections for regional secretaries would have to be approved by a rules revision conference of tbe union due in June 1992. However, some left-wing officials discount any attempt to introduce regional elections.

The election campaign bas emphasised the political divisions in the union, with most national officials supporting Mr Morris and most regional secretaries backing Mr Wright, himself the Wales regional secretary.

Securities firms' losses in 1990 put at £353m

By Richard Waters

LONDON securities houses lost £353m last year as the stock market slowed sharply amid a domestic recession and the crisis in the Gulf.

While their income plunged to £2.3bn from the £3.4bn of 1989, securities firms trimmed their costs by just 3 per cent, to £2.7bn, during the year. This was in spite of cutting 3,000 of their 24,400 staff.

The figures, compiled by the Securities and Futures Authority, the self-regulatory organisation, are disclosed in the latest edition of the London Stock Exchange's Quality of Markets Quarterly.

They show that while the buoyant stock market of the first quarter of this year relieved some of the pressure on stock exchange firms, it did nothing to solve their longer-term difficulties.

A collapse in dealing profits was largely to blame for the securities companies' worst year on record, which followed a £500m profit in 1989.

Position-taking in equities earned under £400m, less than half the £800m of 1989. Bond dealing returned a loss of £100m after a profit of the same size the year before.

These poor performances were due in part to large one-off losses at certain unnamed houses, the stock exchange said.

In comparison with the collapse in dealing profits, commission income fell by a more modest 18 per cent, in line with the decline in stock market activity, to about £800m during the year.

Fee income fell by more than a third to less than £400m, reflecting the decline in capital raising on the stock market.

While income has fluctuated wildly, securities firms' costs have been more stable. They stand at about the level they did before the 1987 stock market crash. This is in spite of efforts to cut overheads following the growth which accompanied Big Bang deregulation of 1986.

Last year's losses exceeded the £195m lost during the disastrous year of 1988. By comparison, in the three months surrounding the October 1987 crash, securities houses lost £375m – virtually wiping out profits made in the first nine months of that year.

Quality of Markets Quarterly Review, January-March 1991, London Stock Exchange, EC2. £16.

Car trade body attacks cut-price repair shops

By Alice Rawsthorn

CAR REPAIR shops that make shoddy repairs on the cheap have been condemned by their own trade association.

Mr Bob McCartney, director-general of the Vehicle Builders and Repairers Association, urged the government to introduce a licensing system to ensure that all car repair shops are properly equipped and use chemicals safely.

Mr McCartney, speaking at the association's annual conference in Harrogate, North Yorkshire, described cowboy repair shops as "ill-equipped, cut-corner, environmentally dangerous outfits" carrying out "cheap, unsound and unroadworthy repairs".

He suggested that the Environment Protection Act be extended to stop the back street repairers from using potentially dangerous solvents when paint-spraying cars and treating rust.

Motor insurance companies were also criticised at the conference for boosting the market for cut-price repair shops.

Mr Robert Hadfield, director of operations at VBRA, said insurers directed people towards the cheaper end of the repair market.

London bus deregulation paper is criticised

By Richard Tomkins, Transport Correspondent

A GOVERNMENT consultation paper proposing early deregulation of London's buses has provoked widespread criticism.

Organisations say the proposal will worsen the capital's transport problems by driving people off buses into cars or crowded Underground trains.

The plans to open up the capital to unfettered competition among private operators were published by the Department of Transport in March.

Under the plans, anyone with a public service vehicle licence would be able to run whatever bus services they liked. That would bring London into line with the rest of the country, where buses were deregulated in 1986.

The London Regional Passengers Committee, a statutory body representing the capital's transport users, said that it sees no benefits from "imitating the chaos and confusion which deregulation has brought to other major cities".

The Town and Country Planning Association, an independent organisation lobbying for environmental improvements, said it was hard to see "how deregulation can be anything other than a disaster".

Deregulation outside London had produced a 20 per cent decrease in bus passenger journeys in metropolitan areas over the past four years, according to the TCPA.

Plaxton, the bus manufacturer, said that operators trying to stretch the life of their vehicles would crowd London's streets with buses that are "inefficient, smoky, noisy and uncomfortable".

The Association of London Authorities, a Labour-led organisation representing councils in the capital, said deregulation would reduce off-peak services and could threaten concessionary fares.

The Capital Transport Campaign, a transport pressure group, said bus services would be plunged into disarray.

The Department of Transport received 170 responses, but said it was too early to say whether the majority were for or against the proposal.

Property prices poised to spiral again

Next year is likely to see a sharp rise in people moving home, reports Andrew Taylor

HOUSE PRICES will rise by more than double the rate of inflation next year and will continue to outpace increases in average earnings for most of the 1990s, according to a new review of the housing market.

The study, compiled by UBS *Phillips & Drew*, the UK stockbroker, estimates that up to 800,000 people have postponed moving home during the past three years because of the property slump.

P&D says house prices are likely to rise by 10 per cent next year – more than twice the expected rise in retail prices – as this pent-up demand is released and a combination of lower house prices and falling interest rates encourages people to start moving again.

Housebuilders have already reported an increase in new house sales since interest rates started to fall in February.

Mr Richard Mooney, chairman of Taylor Woodrow Homes, said last month that sales during the first three weeks of April had risen by 25 per cent.

P&D expects sales of all types of houses to rise by 20 per cent this year. But it says prices are unlikely to rise immediately because rising unemployment is likely to dent the confidence of potential buyers and there is a large amount of unsold property on the market.

Housebuilders have about 30,000 unsold properties on their books. P&D also estimates that building societies and banks this year will need to sell about 80,000 homes repossessed as a result of defaults on mortgage repayments.

P&D forecasts that house prices will rise by only 2 per cent this year before moving up sharply next year, because of a combination of rises in real incomes, lower house prices and falling interest rates. Unemployment should also be rising at a lower rate, restoring confidence among buyers.

The cost of mortgage repayments as a proportion of total household income is forecast to fall from 32 per cent this year to 25 per cent in 1992, taking it back to 1987 levels.

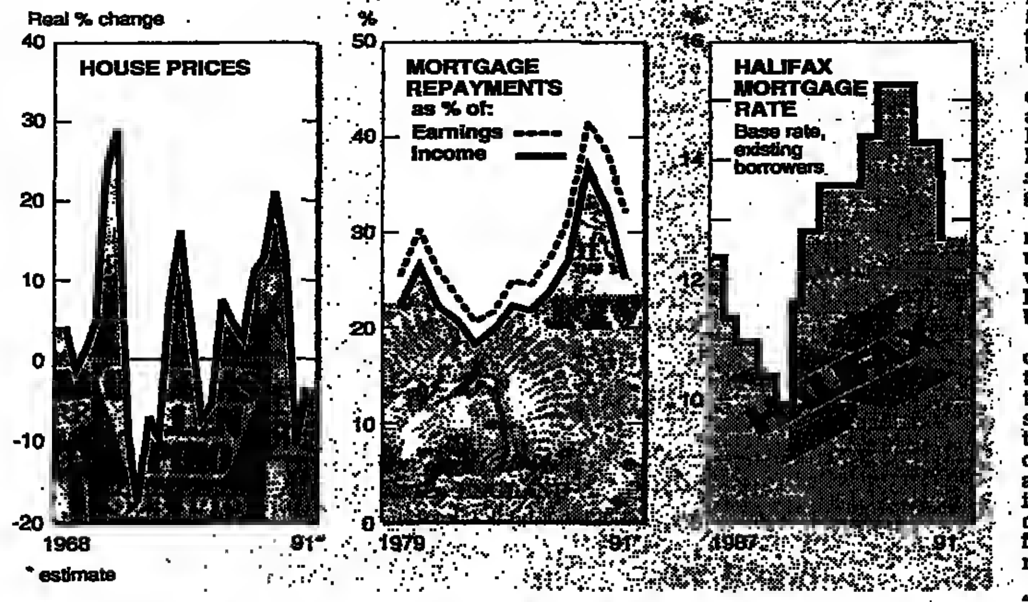
The backlog of unsold properties on the market should also be substantially reduced. P&D expects repossession of homes by banks and building societies to decline as mortgage interest rates fall.

The forecast that prices may rise sharply next year may unsettle Treasury ministers who have blamed the 1988 house price surge for contributing to the rise in inflation.

Mr Norman Lamont, chancellor, announcing the abolition of higher rate mortgage tax relief in the March Budget, said: "We need to do all we can to ensure that when recovery comes it is not accompanied by another bout of house price inflation with the unwelcome consequences that would have for inflation and interest rates."

But the P&D study says that: "The government will do nothing to adversely affect the housing market in the period leading up to the next general election, which may be delayed until next year."

Housing Market: Ready for lift-off? UBS Phillips & Drew, 100 Liverpool Street, London, EC2. £95.



Demographic shift seen as positive for house values

CHANGES in the age mix of Britain's population will help underpin housing demand during the 1990s and stimulate increases in prices during the period, says UBS Phillips & Drew, Andrew Taylor writes.

That view runs counter to the views of some commentators, who argue that demographic changes will adversely affect the housing market.

The rate of growth in the population and household formation is forecast to slow markedly during the decade, partly as a result of the birth rate having peaked in 1964.

The number of 25-year-olds in the population is expected to decline by a fifth in the next five years.

P&D says the proportion of the population between 25 and 35 is expected to rise, as those born during the 1960s grow older.

That age group accounts for 41 per cent of house buyers and 40 per cent of first-time buyers.

The proportion of the population aged 40 to 64, by comparison, is expected to rise from 16.5m to 18m by the end of the century.

That age group tends to buy larger, more expensive homes and will more than compensate for the expected increase in houses coming on to the market as elderly people trade down to smaller homes.

Growth in household formation is still forecast to rise at ½ per cent a year, due to a rising divorce rate, the elderly living longer, and the trend for young people to leave home earlier.

Major to launch reforms for higher education

RADICAL reforms in the education of students over the age of 16 will be announced today when the government unveils its white papers on further and higher education, writes Andrew Adonis.

Mr John Major, prime minister, is expected to launch the white papers personally to shift political debate away from health on to education.

Ministers are determined to increase the proportion of 16 year-olds remaining in full-time or part-time education and training. They are particularly keen to make vocational courses more attractive to prospective school-leavers. One of the main components of the reforms is expected to be a new image and extra funding for vocational qualifications.

The proposals are also expected to include details of new diplomas for 16 and 18-year-olds who reach a set standard in academic or vocational studies.

The diplomas are intended to help break down the existing divide between the two fields, and raise the low prestige of non-academic qualifications.

The government also plans to remove further education, tertiary, and sixth-form colleges from local education authority control. All 600 such colleges in England and Wales will become independent and financed by a national funding council.

The white papers are also likely to herald an end to the division between polytechnics and universities. If so, polytechnics achieving satisfactory standards may be allowed to become full universities and award university degrees.

The funding councils for the two sectors may also be merged.

The proposals are likely to include a new financing regime to encourage institutions to market themselves to prospective students.

APPOINTMENTS

Chairman of Stag

■ Mr Peter Ryan has been appointed non-executive chairman of STAG FURNITURE HOLDINGS. He has been a non-executive director since 1984, is chairman of Elga Group, and Unistrut Europe, and deputy chairman of Davies and Newman Holdings. He succeeds Mr Patrick Radford who retires but continues as a director. Mr George Ella has been appointed chief executive. He was managing director of Stag Meredew Furniture.

■ BULL has appointed Mr David Ferrar as director of its open systems operation. He was a director, commercial and financial division, Software Sciences.

■ Mr William McClave has been appointed vice president, marketing, for PIZZA HUT (UK). He was vice president of marketing at head office in Wichita, Kansas.

DATAQUEST EUROPE, Denham, has appointed Mr Robin Duke-Woolley *(pictured)* as director, European telecommunications group. He was director and general manager, business systems division, STC Telecommunications.

■ KODE COMPUTERS, Swindon, has promoted Mr Terry White to sales and marketing director and Mr Malcolm Challis to operations director. Mr White was sales and marketing manager, and Mr Challis was national support manager.

■ GREGGS, a bakery group, has appointed Mr Horace Bennett as managing director at Greggs of Enfield, and Mr Ian Pegg as managing director of Charles Bragg (Bakers), Birmingham. Both have been with the group for seven years.

■ Mr Jeremy Bancroft has been appointed sales director of AVS Broadcast, Chessington, a subsidiary of AVESCO. He was sales manager of Digital Audio Research.

■ PWS INTERNATIONAL has appointed Mr Daniel Donoghue to the board as head of the marine division. He was managing director and chief executive of Tower Hill Insurance Brokers, of which he was a founder member.

■ Mr Peter Brynes has been appointed managing director of FAIRCLOUGH SCOTLAND, part of AMEC. He was managing director, northern region, at Ballast Nedam Construction.

■ Mr Peter Langford has been appointed northern divisional director of ALEXANDER STENHOUSE UK. Based in Manchester, he succeeds Mr Roger Surman who retires in October. Mr Tony Nuttall succeeds Mr Langford as local director, Liverpool. Mr Alastair Hunter has been promoted to local director, Glasgow.

Albany Life moves

■ Mr Ralph Sepel retires as managing director and chief executive of ALBANY LIFE ASSURANCE CO, and MetLife (U.K.) at the end of June. Mr Alexander D. Brunini, deputy managing director of Albany Life, will head the company from July 1. Mr Sepel remains on the Albany board as deputy chairman. Mr William G. Poortvliet, executive vice president of Metropolitan Life, New York, in charge of world-wide insurance operations, will become chief executive of MetLife (U.K.), the holding company for Albany Life and its sister companies. Mr Ian L. Solomon will head MetLife's subsidiary holdings, the sister companies of Albany Life.

■ Mr Richard Keatinge has been appointed a director of NCB GROUP, Dublin, and chairman of NCB Corporate Finance from July 1. He was chief executive Britain with the Bank of Ireland.

■ WESTPAC GENERAL FINANCE, part of Australia's Westpac Banking Corporation, has appointed Mr W.A. James as head of finance and administration. He was with The Union Discount Co.

■ Mr Chris Spooner has been appointed group taxation controller of STANDARD CHARTERED. He was with the Bank of America.

Mr Nicholas Harvey *(pictured)* has been appointed head of corporate finance at GRANVILLE & CO, a private investment banking group. He was head of the mergers and acquisitions department.

CONSTRUCTION CONTRACTS

£24m orders for Lilley Group

LILLEY has been awarded £24m of new orders during April, including a £4.4m road reconstruction contract on the A1 near Doncaster, due for completion in 100 days.

Other significant contracts include the construction of a new police headquarters in Dumfries (£3.8m), a design and build contract for 80 dwellings in Catterick for the Department of the Environment (£3.1m), and a modernisation contract for 103 dwellings for Doncaster Metropolitan Borough Council worth £4.3m.

School buildings

ALLEN, based in Wigan, has won orders totalling in excess of £5.75m.

Allen-Fox Construction, specialising in design and build, has obtained a £1.6m contract from Leeds City Council for a new primary school at Roundhay.

Wigan Metropolitan Borough has awarded a £1.7m contract to Allen Building for the building of Standish High School.

Other projects include a school extension for the County of Lancashire at Elmers Green, further work for Glaxo Pharmaceuticals, a hostel in Manchester for the Selcare Trust, office conversions and an adult training centre at Dudley for the Metropolitan Borough.

Retail project in Aylesbury

HENRY BOOT is undertaking an extensive reconstruction and extension project of retail units at the Friar's Square shopping centre in Aylesbury for the Friends Provident Life Office

Within the £28.6m redevelopment scheme, major improvements are to be carried out including new entrances, roofing over the open market square, a link bridge and alterations to the bus station and other services. The management contract will be completed by May, 1993.

After having completed a pilot scheme, Henry Boot has been awarded a £3.3m contract to improve access and security on the Chalkhill housing estate in Wembley.

Completion of the management contract is programmed for April 1992. The client/architect is the London Borough of Brent.

Other £3.7m management contracts work recently obtained includes fast track fitting-out and refurbishment at six TSB branches.

Peterborough power station buildings

KIER CONSTRUCTION, part of Beazer National Construction, has won a £14.5m contract for the design and construction of buildings and major civil engineering works at the new Peterborough power station for Hawker Siddeley Power Engineering's private power division.

The project forms part of a turnkey contract for Peterborough Power to provide a new combined cycle gas turbine power station for Peterborough.

In addition to various maintenance and administration buildings, Kier will design and build the turbine hall. This will house the steam turbine and two gas turbines to drive the 350MW plant.

Ove Arup & Partners are Kier's design engineers for the contract which is due for completion in September 1993.

Work is due to begin shortly although the company is already present on site having won the £1.3m advance works contract which began in February.

Kier recently began work on the new Corby power station under a similar £15m contract.

Offices development plan in Pimlico

TRY GROUP has secured contracts together worth £22m. The largest, at £10.6m, is for a new office development in Ebury Bridge Road, London SW1. The project was awarded by Grosvenor Estate Belgravia and Commercial Union Life Assurance.

The development comprises 79,000 sq ft of offices on eight floors. The structure, built around a reinforced concrete frame will be faced externally in brick, natural stone and double glazed aluminium curtain walling. Internally, the offices and cores will be fully fitted out to a high specification. The 72-week contract begins this month.

Granada Motorway Services has awarded Try Construction an £8m contract to build an amenities complex at Junctions 30/31, just half a mile from the Lakeside shopping development, Thurrock.

Until now only petrol, diesel fuel and temporary catering facilities have been available at the service area but when construction is completed there will be restaurants, shops, and a 44 bedroomed lodge. Large car, coach and HGV parks and access roads are incorporated in a substantial landscaping scheme. The new facilities will be opened in the spring of 1993.

The Try Build subsidiary has two fitting out projects; district offices for Midland Bank in Hemel Hempstead and offices for Compagnie Generale de Geophysique at Heathrow and a sports deal in south east London.

London airport hotel

Novotel U K has awarded WIMPEY CONSTRUCTION a £7m design and build contract for a 178-bed hotel alongside the main M4 spur to Heathrow airport. Work on the four-storey brick-clad building has started and is due for completion in May 1992.

The main structure of the hotel forms a U-shape with guests rooms surrounding a central glazed atrium which houses the reception area, lounge, bars and restaurant and links to the swimming pool and leisure facilities. Extensive conference and banqueting facilities are provided in an integrated single-storey building.

Housebuilding

Hall & TAWSE has won a contract to build housing for specialist Japanese workers at the new Toyota plant near Derby. The £4.5m development of 50 houses is being built on the 2.8 acre site of the city's former Manor Hospital and will be leased to Japanese technicians working on the first phase of the new plant at Burnaston.

Demolition work on the hospital has started and the first phase of the 10 three-storey luxury apartments will be handed over next January.

Birmingham motorway scheme

The national civils division of R M DOUGLAS CONSTRUCTION has won a package of orders worth £5.6m from the Department of Transport for the reconstruction of major highways in Birmingham. The largest is for a £4.4m reconstruction of the M6 motorway from Junction 7 to the northern limits of the Ray Hall Viaduct.

Work will include resurfacing a 2.2 km section of both the north and south bound carriageways and slip roads together with associated groundworks. The contract also covers local construction adjacent to three underbridges and general refurbishment of kerbing, safety barriers and parapets. Work is due to start on site at the end of May for completion in November.

The Department has also awarded contracts worth £1.2m for the rebuilding of fire damaged sections of the A38 at Spaghetti junction.

National Health Service

Why the cupboard must never be bare

In the light of a report by the National Audit Office, Alan Pike compares the performance of the purchasing and supply function with that of the UK private sector

Why should the price of textured, pre-powdered surgical gloves vary by up to 155 per cent between the neighbouring Wessex and Oxford regions of the National Health Service?

The Commons public accounts committee will today set off in pursuit of the answer to this and similar questions – like why some NHS institutions were *paying 41 per cent* more than others in the same region for cornflakes last year.

Bureaucracy-iovars will recognise at ooce that such questions rank among the great unanswerable mysteries of life. Perhaps the cornflakes varied in quality? Was the lowest price recorded for gloves such a bargain that it put the supplier out of business, and the highest an emergency when someone had to buy a single pair from an overcharging shop?

Any self-respecting civil servant could come up with an almost infinite number of *grounds for casting doubt* on the validity of the comparisone. But the big question behind the specific ones – does the NHS get value for money as a leading purchaser and distributor of supplies? – raises serious issues about the management of the service.

The NHS purchasing and snpplies organisation, which provides hospitals with food, bedding and a vast array of equipment, is among the biggest and most complex in the country. Excluding drug costs, it spends £4bn a year in England and deals with more than 20,000 suppliers.

Efforts to improve the efficiency of NHS purchasing and supplies activities are almost as old as tha health service itself. As loug ago as 1951, three years after the NHS was formed, the public accounts committee began calling for greater use of competitive tendering and group purchasing.

Today the committee will consider the results of the latest in a long series of investigations into the service's purchasing and supplies activities, contained in a report by the National Audit Office. This concludes that while progress had been made towards operating more professional and efficient services, more needs to be done.

So far, so uncontroversial – such conciusions have been reached before. This time, however, the NAO studied 16 private food, retailing and mannfacturing companias with large-scale purchasing and distribution operations – including Marks and Speocer, Boots and Compass Services UK, a contract caterer – and compared them with the health service.

The results, concluded tha NAO, showed that the management approach adopted in the NHS differed sharply "in almost every respect" from that of the private sector.

At the heart of the differences between the two sectors is the far higher degree of central control exercised by the private organisations over their purchasing and distribution operstione. None of the private companies stndied allowed local autonomy on the same scale as the NHS.

Although its supplies activities are still far more devolved than is customary in the private sector, the NHS's service has become more centralised in recent years. In 1985 there were 450 storage depots. Today there are 75 and the number is still decreasing.

Responsibility for managing purchasing and supplies has, during the past 20 years, risen from hospital and district health authority level to the 14 English health regions. A procurement directorate in the Department of Health develops national policies and issues guidance, bnt has no executive power over the regions.

Although this lack of final, central anthority may be uncommon in big private companies, NHS managers are convinced they can demonstrate to the Commons committee that their purchasing activities have become far more efficient during tha past 10 years. A price-tracking service snhscribed to by both the NHS and other large organisations shows the health service obtaining better than average prices.

What NHS managers question is whether their supplies activities can really be compared with those of a private sector company in the way the NAO has done. To start with, the NHS is in the 24-hour health care business: "My local supermarket has often run out of bread by Saturday afterncon," commented one NHS manager. "We have to provide a distribution service in which hospitals never run out of things."

Even more fundamantally, the NHS purchasing and supplies service functions largely at the whim of its customers – the doctors and hospital managers. Unlike a large retailer, the NHS cannot make central decisions about which brands to stock and then start delivering them to all its outlets.

This is one of the fundamental differences between the NHS and the private sector revealed in the NAO report. The study found that while the private sector companies maintain tight controls over any "deviations from standard" orders, the NHS had no such central control and users' requests are normally met.

Not all surgeons are happy with the same type of textured, pre-powdered glove. Thie means the supplies service has to ohtain low-volume items which would be excluded as fringe and unprofitable in the private sector, even thongh every addition to the NHS'e already huge product line adds between £500 and £1,000 a year to operating overheads.

Unlike supermarkets, hospitals frequently push up costs by ordering non-standard items. Like most privileges, it is open to abuse.

The NHS supplies organisation antered into a national contract for the provision of paper hand-towels. One small group of employees refused to use the selected brand of towel, and a separate £25,000 contract – on terms 25 per cent higher than the national one – was eventually placed to meet their wishes, hard as this may be for some private sector managers to credit.

The supplies warehouse at Witham, Essex, which services the North East Thames regional authority: does the NHS get value for money as a leading purchaser and distributor?

But the NAO report, which *relates this story, tells only the* downside. The national contract has savad the NHS £450,000 on its previous paper towel bill; and a new unit was set up in February to exploit the cost advantages of further national contracting for bulk goods and services like energy, cars and medical gases.

The managerial thrust of the government'e health reforms introduced last month, however, is away from central control and towards local autonomy. A differenca of view between the Auditor General's staff and Department of Health officials over the relative merits of running a decentralised snppliee structure emerges from tha pages of the NAO report.

In the NAO'e view decentralised structures and management reporting lines have in tha past prevented the NHS from minimising operating costs, maximising purchasing power and taking a sufficiently wide view of strategic decisions on issues like the location of new storage depots. Mersey's new regional distribution centre, for example, *opened in 1985. It has considerable* excess capacity yet 13 local stores which it was designed to replace were still open early this year.

Department of Health officials, on the other hand, stressed to the NAO that they believe local accessibility and ownership of the service is important.

The establishment of local purchasing and supplies services covering areas roughly twice the size of each existing health region is emerging as a favoured policy objective in the Department of Health. Senior managers believe such units would be big enough to achieve all the financial advan*tages of bulk buying, while* retaining more scope than a Whitehall-dominated system for local contact with customer hospitals.

Under the new, more commercial system of NHS funding introduced hy last month's reforms, all activities within tha NHS will be based in future on contracts between purchasing and providing branches of the service. This will put hospital and health authority managers under greater financial pressure to avoid placing wasteful orders.

Managers in the purchasing and supplies service will be under equal pressure to make their part of the NHS cost-effective. Customer hospitals will eventnally be able to go to NHS supplies organisations in other regions, or the private eector, if they are unhappy with their local service.

As the NAO report acknowledges, some of the NHS regions have already begun developing a "more antreprenaurial stance" in readiness for the commercial style of manage*ment heralded by the reforms,* and in a search for cost benefits.

Some regions are offering spare storage capacity to commercial customers; others are extending their supplies activities outside the NHS, while some are experimenting with contracting out the management of storage and distribution.

An extensive training programme for NHS purchasing and supplies staff, based on "real-lifa" exercisee and intended to improve efficiency, is under way. All costs of the programme are covered by *savings identified by staff* during training. Last year, ideas generated during training exercises produced an immediate £800,000-worth of efficiency improvements, with a further £5m-worth of potential savings identified.

Staff development is an area where NHS managers are particularly happy for their purchasing and supplies service to be compared with the private sector. A number of job applicants from the private sector seeking posts in that area of the NHS have recently been rejected because they were considered to be insufficiently qualified.

The self-inflicted wounds of British would-be exporters

By Christopher Lorenz

Whenever a domestic recession rears its ugly head, British manufacturing industry sets up a rallying cry of "export or die!".

Nothing wrong with that, you might think. Thoroughly laudabla, in fact. But then why does all the shouting die down as soon as the UK economy picks up again?

The question is not as naive as it seems. True, exporting is usually harder and less profitable than selling at home, and there must always be a temptation to give renewed priority to local customers when domestic demand recovers.

But how can any company expect to succeed in foreign markets by treating exports as an on-off tap which, through marginal pricing and other short-term expedients, can be used to soak np temporary excess capacity at home?

One would have thought that such a self-defeating approach would have been discredited a quarter of a century ago: from at least the time of the first Wilson govarnment, there have been constant warnings against it.

If the practice was foolish in the 1960s, it has been downright stupid for at least a decade. For one thing, winning exports through price alone has become less and less feasibla as non-price factors (design, quality, delivery) have grown in importance in the vast majority of markets.

For another, the growing flow of German and Japanese products has made customers, distributors and service agents everywhere too demanding to put up any longer with fickle British suppliers.

Yet the temporary "capacity filler" approach to exporting still seems to be practised by large swathes of British industry, to judge from a study carried out by a London Business School professor, Peter Williamson. German and Japanese exporters, by contrast, adopt a far more consistent strategy - and are far more successful.

Stable prices

Williamson's study focused primarily on the degree of stability or volatility of the three countries' export pricing into the US market; it also shed considerable light on shifting markat sharee and export strategies as a whole. The method used was to analyse US customs records for the years 1982-85 to determine trends in dollar prices across 462 categories of manufactured product, from socks to air compressors.

The results are telling. First, Japanese exporters maintained prices which were both lower and more stable than those of German and especially UK exporters. German exporters charged higher prices than those in either the UK or Japan, but kept them much more stable than the British.

Writing in the journal Long Range Planning*, Williamson also reports that the Japanese tended to price an unusually high proportion of their exports to the US (some 82 per cent in 1986) in dollars. This approach creates a natural tendency for exchange rate fluctuations to be absorbed by producers, rather than passed on to customers, Williamson argues.

Second, British exporters' market shares were not only lower than those of Japan and Germany, but also less stable; the average annual volatility for UK exporters was 17 per cent higher than for the West Germans, and 35 per cent higher than for the Japanese.

By examining separate data, Williamson also detected a further possible reason, over and above inconsistent pricing, for the poor British showing: that the Japanese pnt a mnch greater degree of investment into their US distribution, sales and service infrastructure.

Tempering tha gloom slightly, Williamson points out that British exporters have built strong and stable US market shares in mass market consumer goods such as spirits, condiments and confectionery, whare well-developed third-party distribution networks exist. They have also thrived in products where the manufacturer's own UK-based salesforce is able to deal with relatively few customers, and can ship directly to them.

But that is little consolation to the majority of British would-be exporters – most of whom, to judge from Williamson's work, would appear to be shooting themselves in at least one foot. Will they never learn?

**LRP Feb 1991. Pergamon Press, Oxford, UK and Elsford, New York.*

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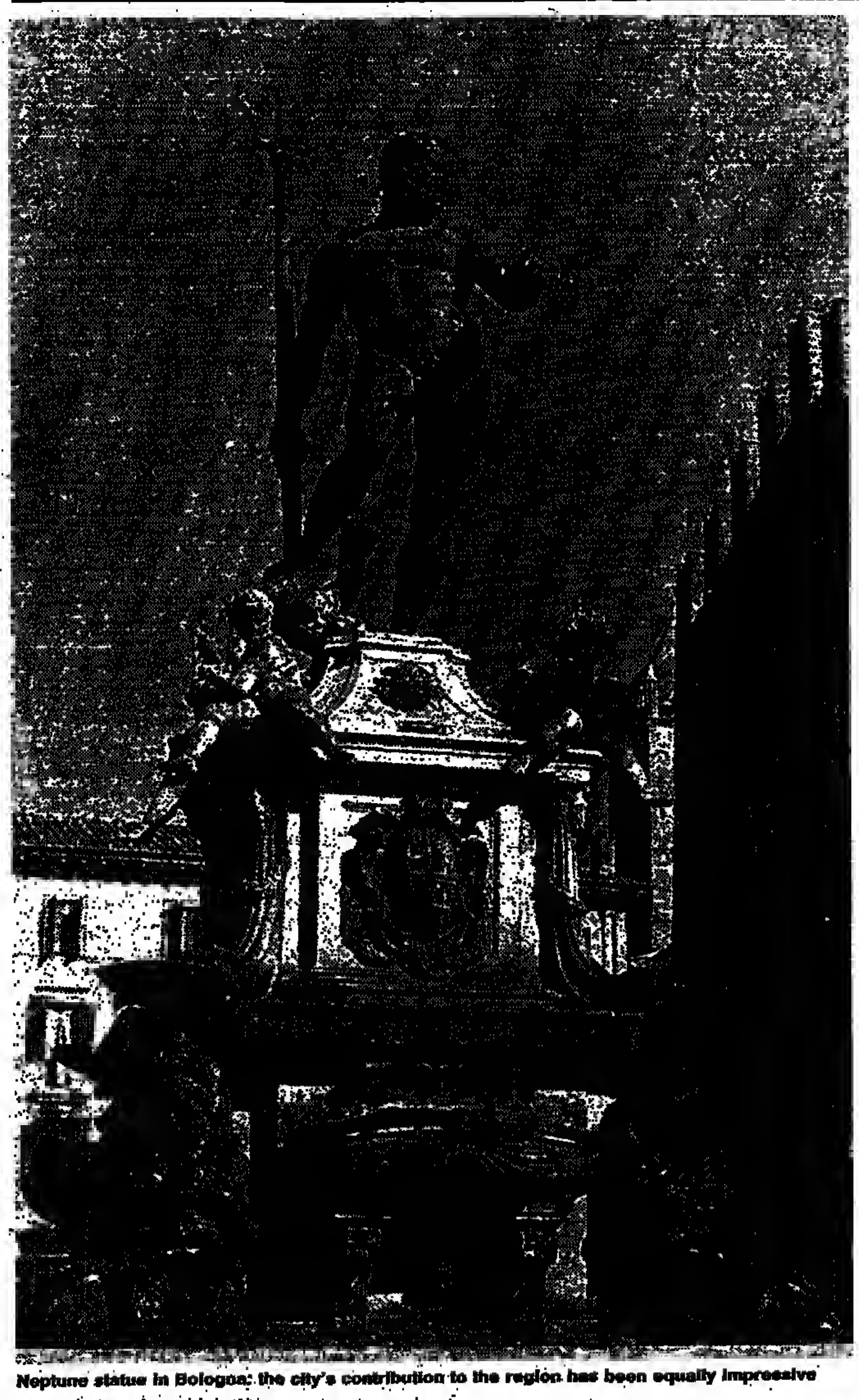


Neptune statue in Bologna: the city's contribution to the region has been equally impressive

Affluence has brought in its wake a disturbing rise in social problems. The region, long a shop window for the Italian left, may be facing a crisis of values. There is also concern at industry's capacity to meet the challenges of the 1990s. **John Wyles** investigates

A serpent in the Garden

EMILIA ROMAGNA has been Italy's land of milk and honey over the last 20 years. Well-endowed with natural beauty, economically prosperous and relatively well-governed, its industrions people have enjoyed well-balanced aocial and economic development. Now, however, a serpent of anxiety has entered this Garden of Eden, creating no little uncertainty about the future.

The region is experiencing not so much a crisis of values, although some observers of the eminence of Pope John Paul II see it that way, nor a plummeting of its economy, which certainly faces more difficulties than it once did, but rather the recognition that uncomfortable upheavals lie ahead.

These are not drastic enough to call seriously into question the celebrated "Emilia model", which in many ways was the regional paradigm of Italy's formidable economic growth in the 1980s. With their 45,000 highly anccessful emall and medium size businesses operating in agriculture and food prodncts, industry and tourism, the 3.9m citizens of Emilia Romagna have come to enjoy the second highest per capita incomes in Italy.

But notable afflnence has brought in its wake social problems which are common to mnch of western Europe, inclnding the nation'a third highest suicide rate, growing abuse of drugs, tensiona between the local population and North African immigrants, rising crime and a falling birth rate. This cocktail earned an unusually stern papal excoriation at the beginning of March of Emilia Romagna's "secularised and hedonistic" society. In a speech to local bishops, the Pope said the region was carrying the "stigmata of illness and death," and went on to list a falling birth rate, divorce and marital separations, the abortion and suicide rates, drug taking and the death toll in Saturday night road accidents to support his charges.

Naturally, this put the region's Communists on the defensive, since they have run so many communes either singly or in coalitions for many years. Emilia Romagna has been a crucial shop window display of the ability to govern of the Communist party – now the party of the Democratic Left – bnt its general decline in support bas also now reached its heartland and in the view of some people this too has contribnted to the emergence of a "crisis of values" in the region.

Yet very little of this is evident in Emilia Romagna's well-kept indnatrial towns: Piacenza, Parma, Reggio, Modena, Bologna, Imola, Faenza, Forli, Cesena and Rimini. Each has made an important contribntion to the region's sleek prosperity, from the processing of bams and meat products in Parma to the farm machinery and Ferrari luxury sports cars of Modena to clothing at Carpi, ceramics at Sassuolo and Italy's single most popular boliday playground in and around Rimini.

Scratch the surface, bowever, and you find growing concern not only about social values but also about the capacity of the region's formidable industrial assets to carry the successes of the 1980s into the present decade.

The co-operative movement is undergoing a difficult restructuring to halt declining profitability in industry and manufacturing, the myriad of small and medium size businesses seem lodged in a growth-restricting orbit whicb means thet only five of the region's companies are publicly quoted, while tourism on the Adriatic coast needs better infrastructural support and is struggling to recover from attacks of seaborne algae fostered by chemical fertilisers that have found their way into the River Po.

On the industrial front, Mr Romano Prodi, the former president of Iri, the giant Italian state holding company, who is amply endowed with the intelligence and good humour for whicb the Emiliani are famed, points the finger above all at the limited commitment and capacity of the region's companies to accomplish the tasks of research and development and product innovation.

This is readily acknowledged by Mr Gianandrea Rocco di Torrepadula, president of the Bologna province's association of industrialists, who blames the small average size of the region'a companies – a factor which he partly attributes to decades of communist and left administrations which bave discouraged the emergence of large-scale business.

"Nonethcleas, we do bave world leaders in areas such as electronics and precision instruments which are small in global terms."

Mr Silvio Nizzoli, president of Erved, the region's industrial development agency, affirms that Emilia Romagna's industriea are beginning to face up to the problem of innovation. Consortia of companies are being formed to give birth to joint R&D centres. Those in the process of being launched will focus on electronic engineering at Piacenza, flexibie automation at Modena, plastic materials st Ferrara and environmental technologies at Ravenna. Bologna has launched a broader technological park.

Bnt a key problem still not being properly addressed is the absence of flexible financial instruments to finance innovation and *growth. "More risk* capital has to be channelled to small companies," concludes Mr Nizzoli.

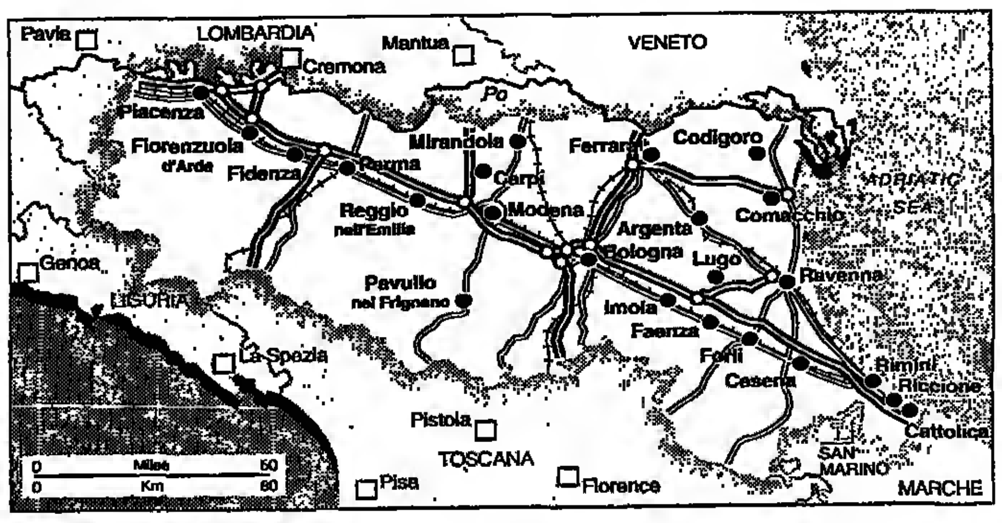
The relative smallness of its industrial companies – a constant and nationwide Italian preoccupation – is fully abared in Emilia Romagna. "You could say we will be disadvantaged in the Community'e single market," saya Mr Rocco di Torrepadula, "but, equally, small means flexible and adaptable." He aees the region's manufacturers developing a growing role as suppliers of semi-finished products to larger industrial companies.

At the moment, bowever, manufacturing in the region is exhibiting undeniable signs of stress. The engineering industry no longer exports significantly more sbroad tban it imports. "The commercial surplus has slipped from around L13,000bn to a broad balance as a result of the cost of money, the cost of labour and an unfavourable exchange rate," says Mr Rocco di Torrepadula. He adds tbat in tbe first two months of this year, there were more business failures than in all 1990.

With an unemployment rate of 3.8 per cent against a national average of 10.8 per cent, sbortage of isbour is becoming a key problem. Immigrants from outside tbe EC have eased it only slightly and account for a mere 0.5 per cent of the industrial workforce. A more significant influx from abroad has been foreign capital in pursuit of takeovere witb British, French and German companies establishing a growing presence in tbe region.

The result, says Mr Rocco di *Torrepadula, is the steady sub*stitution of local entrepreneurs by professional managers. This will probably prove to be of benefit to the region's business culture since surveya sbow thet many local entrepreneurs are struggling to restructure their businesses to the needs of global markets.

It also appears tbat more businesses will become available for acquisition because of generational change: tbe founders of many of Emilis Romagna's small and medium size businesses or their successors frequently lack children ready and willing to guarantee the future of the company.



THE ECONOMY

Variety provides the essence of prosperity

OPINION differs as to whether Emilia Romagna sbould be called Italy's workshop, its garden or its playground. The various strands of the local economy mean that all three names are justified.

Best known for its small or medium-size family businesses, the region forms part of Italy'a industrial heartland, contributing over 9 per cent of the nation'a gross national prodnct. In terms of trade, it accounts for 7 per cent of total national imports and 10.7 per cent of exports.

Industry tends to focus on the biggest cities, with Bologna and Modena in particular hosting hundreds of manufacturers – though only a handful of tbem with more than 500 employees.

Most are specialists, with packaging, motors, machine toois and food processing equipment etanding out. In packaging alone, Sasib (controlled by Mr Carlo De Benedetti), GD and Ima rank among the world leaders. Together, the three account for 67 per cent of Italy's sales of packaging equipment by value and 65 per cent of all exports.

Likewise, Modena is the centre for motor production, ubringing together sncb famous names as Ferrari, Lamborghini and the recently-resurrected Bugatti marque. Motorcycle makers are almost as strong, with Ducati and Morini both important local names.

But farming is almost as important in Emilia Romagna. Benefiting from a high proportion of flat land, the region is a major contribntor to the nation's agricultural economy.

Fruit and vagetables are among its main prodncts, along with a range of wines, the best-known of which is the deep red Lambrusco originating from the province of Modena.

Livestock farming also plays a part. With food processing a major local industry, pig and cattle breeding is widespread, notably in the areas around Parma and Reggio Emilia where the ham and cheese industries are based.

Tourism and service industries form the last part of the region's economic triangle. The development of Emilia Romagna's Adriatic resorts on the back of growing conaumer affluence in the 1950s was followed in the 1960s by increasing numbers of north European visitors.

Growth rates have declined as some foreigners have moved further afield, while environmental problems, notably tha Adriatic algae of 1989, have put off others. Nevertheless, tourism remains an important source of revenue and employment in Emilia Romagna.

The variety of Emilia Romagna's economy has been one of the major forces behind its prosperity in the post-war period, helping the region overcome occasional npsets in individual sectors, notes Ms Giovanna Filippini, the bead of research at the Bologna Industrialists' Association.

Hugh Routledge

Engine and transmission assembly at Fiat Trattori, Modena

But whether it is industry, farming or tourism, technical expertise and flexibility are common characteristics. The relatively small size of manu*facturing companies in particu*lar has been a key factor in promoting qualities like speed of response and sensitivity to the market which underpin the region'e economic success.

A concentration of manufacturers in a narrow area – with light engineering around Bologna, and tile-making in Sassuolo – is another component. Specialisation has attracted talent, while intense local competitiveness has spurred innovation.

But despite their tight sectoral focus, specialist manufactnrers lika Mandelli, the Piacenza-based factory automation group, or Marposs, the family-owned maker of precision measuring instruments for machine tools, have managed to resist cyclical downturns.

Although most such companies remain family-owned, change is under way. For while many have resisted the pressures of rationalisation and the increasing generous offers of foreign multinationals or local mergers and acquisitions (M&A) specialists, a process of concentration is undoubtedly taking place.

"In the past two or three years, the industrial companies in the region have tended to be *bought, rather than being buy*ers themselves," says Ms Filippini. Large foreign groups are often the acquirer.

There is certainly scope for rationalisation. Italy has over 50 makers of forklift trucks alone – many based in the region – which helps to explain why the sector has been gaining increasing attention from Milan-based M & A teams.

And while companies are often justifiably proud of their technological skills and specialisations, the need for additional capital to finance research, increasing distribntion costs have combined with the more widespread problem of succession to make changes of ownership, or at least partnerships with bigger groups, increasingly common.

Technological prowess and the mixed economy have also been translated into material well-being. The armed guards, automatic doors and banks of closed-circuit TV screens, to be found at even relatively small local companies, reflect tbe danger of kidnapping that troubles many leading local entrepreneurs now that organised crime has replaced terrorism as the primary threat.

According to figures for the province of Bologna, unemployment amounted to just 4.1 per cent last year. Even for Emilia Romagna as a whole, the 5.3 per cent jobless rate was less than half the national average of 11.5 per cent.

Other statistics tell a similar story. Capacity ntilisation among Bologna companiea reached 81.8 per cent last year, while local inhabitants bad average bank deposits of L21m (about £9,500) on a per capita basis, according to the Industrial Association's figures for 1987.

Based on "development index" produced by Italy's Confindustria employars' federation, which takes into account such variables as income per capita, bank deposits and electricity consumption, the province ranks fifth in Italy, coming in at 130.31 againat tbe national index of 100, while on a regional basis, Emilia Romagna comes in second after Lombardy with 122.6.

The specialisation of Emilia Romagna's producers, whether industrial or farm-based, has also spurred s lively involvement in bnsineea tourism, notably trade fairs.

The two biggest are in Bologna and Parma. The Bologna fair is Italy's second biggest after Milan, with more than 1m visitors last year. Cersaie, the world's biggest ceramics fair, attracted around 100,000 visitors and 1,000 exhibitors alone last year.

Meanwhile, Parma's biggest events are the international Cibns and Technoconserve food fairs, held in May and October respectively.

Halg Simonian

Bologna-based Credito Romagnolo is geared to local conditions

Strong regional presence

CREDITO ROMAGNOLO, the Bologna-based bank which is the leading financial institution in Emilia Romagna, may not be Italy's biggest bank. But it has already carved out a sizeable name for itself in both fund management and deposit-taking, in which it ranks among the country's market leaders.

The bank's strength in the two areas owes much to its well-entrenched position in the regional economy, explains its chairman, Professor Francesco Bignardi.

With a wealthy, small business-based clientele, the bank has been able to mirror the rise to affluence of Emilia Romagna as a whole since the 1950s – so much so that the bank, which now bas some 210 branches, around 180 of them in Emilia Romagna itself, has been able to embark on a substantial expansion programme in the past two years.

Having purchased Banca Morgan Vonwiller in Milan some years before, it has gone on to take a controlling interest in both Banca del Friuli, adding more than 80 branches predominantly in north-eastern Italy, and Isefi, e quoted financial services group.

However, Emilia Romagna remains by far the most important focus for Credito Romegnolo, contributing 82 per cent of total deposits and around 61 per cent of loan volume.

Prof Bignardi sees the bank as being well-geared to the economic conditions of its home turf.

That means responsiveness to the needs of small and medium-size business in particular, and also s close awareness of the needs of the region's tourism industry, whose growth in the 1950s and 1960s was s *major factor* in the bank's own expansion.

Yet Credito Romsgnolo has not remained e merely regional entity. Altbougb always relatively outward-looking as a reflection of the export-orientation of much of local industry, it has tried to tailor its services to the increasingly complex demands of small and medium-size business.

Hence the acquisition of Banca Morgan Vonwiller, which is now fully integrated into Credito Romagnolo, was an important step into the Milan-based world of foreign exchange trading and securities dealing – services increasingly being demanded by some of its business customers.

Bnt it is retail fund management for which the bank is probably best known. Although ranking only 18th in Italy in terms of total assets, Credito Romagnolo stands apprsciably higher up the pecking order when it comes to money management, with L26,286bn under its control.

However, with Italian banking now in the middle of an unprecedented phase of liberalisation, Prof Bignardi realises that Credito Romagnolo is going to have to keep on its toes if it is to retain its competitive edge.

Prof Bignardi: 'We don't want to lose market share in areas where we are already strong. After all, many banks are attempting to come into Emilia Romagna'

The challenge is all the greater given the fact that Emilia Romagna is one of the most attractive regions for expansion for many non-local banks following the Bank of Italy's decision to open the door to mnch easier branching last year.

Credito Romagnolo's response has been predominantly defensive, with s stress on setting up more branches in the region, rather than looking much further afield, Prof Bignardi explains.

"We don't want to lose market share in areas where we are already strong. After all, many banks are attempting to come into Emilia Romagna."

The bank has so far received the green light to open 34 more branches, with Banca del Friuli planning to set np a further 20 units of its own.

Although another 30-35 new outlets may be on the cards, Credito Romagnolo does not have a strict overall target for new openings, Prof Bignardi explains.

Rather, the bank is keeping its options open, partly to see how its competitors act, he says.

Meanwhile, foreign expansion has been eased by the co-operation agreement struck last year with Banque Nationale de Paris (BNP).

Under the deal, Credito Romagnolo has renounced further foreign expansion beyond its current Luxembourg branch, in return for which its customers have been given full sccess to BNP's big international network.

The accord was part of a deal which also saw the French bank taking s 2 per cent stake in Credito Romagnolo, the maximum permissible for any single shareholder under the Italian bank's present statutes.

Hence any suggestion of a creeping takeover by the French, who are undoubtedly keen to expand their presence in Italy, is ont of the question. And it will remain so even if Credito Romagnolo's shareholders decide, as seems likely, to relax the 2 per cent rule, says Prof Bignardi.

He thinks BNP would like to have "a more significant presence" in the bank, with a 10-15 per cent stake and perhaps some boardroom representation. That status would fit in with BNP's current aim of gaining strategic footholds in neighbouring banking markets without making full-scale acquisitions, even if these were possible.

Prof Bignardi clearly sees the French presence as entirely desirable, even now that the acerbic battle between supporters of Mr Carlo De Benedetti, who indirectly controls Credito Romagnolo, and Mr *Gianni Agnelli's Fiat group is buried.*

Rather, the alliance with BNP offers not just s widespread international network, but also access to additional funds, should Credito Romagnolo wish to make more takeovers.

In those circumstances, its French partner would come in handy both as a wealthy direct shareholder, and possibly in an indepsndent capecity as a co-acquirer too, with BNP perhaps taking a direct stake of its own in the target bank.

Credito Romagnolo's alliances with strong partners will probably not end there.

With bank-insurance links becoming steadily more important in Italy, the signs are that Fondiaria, the big Florentine insurer, may also buy a share in the bank in due course.

Fondiaria already has a small holding in the Florence savings bank, and is now keen to secure an exclusive marketing deal with Credito Romagnolo to sell policies via its branches.

Though Fondiara may start with just 2 per cent, like BNP, it too is thought to want more eventually.

Haig Simonian

■ **PROFILE:** Romano Prodi, former president, IRI

Cures for the ills of industry

HAVING returned to his native region after eight years as president of IRI, Italy's largest state holding group, one of Emilia Romagna's most famous sons has for the past 15 months been applying his extraordinarily discerning eye to its strengths and weaknesses. Romano Prodi finds much to preoccupy him, and if the future of Emilia Romagna is worrying one of Italy's best economists turned industrialist, then Italy ought to be worried.

Mr Prodi has been studying it all with that ironic, detached academic eye which is again delighting students now that he has resumed teaching at the University of Bologna. He also devotes mnch time to Nomisma, the research consultancy in Bologna which he helped to found and which is now Italy's largest in applied economic research. He enjoys a direct window on the business world as a director of both Unilever and IBM International.

The Emilia Romagna which has been put under the Prodi microscope remains one of the country's richest and most industrially and agriculturally productive regions. Its small and medium size businesses such as those manufacturing agricultural equipment, ceramics and textile garments are some of the brightest jewels which helped to give the Italian economy its prosperous sparkle in the 1980s.

Mr Prodi, however, fears that they have difficult months and years ahead. "In the 1980s we had a high level of investment and productivity increases which compared with Japan's. Unfortunately, however, product innovation has been low and companies in the region are struggling with high labour costs.

"Managements are not thinking enongh about product innovation. They are concentrating on cutting costs and looking for new markets."

He singles out the garment industry, centred on Carpi, as a particular source of concern. "All possible new technologies have been applied but the cost of labour remains a very high proportion of production costs. There are many companies that are badly placed strategically. They are too small to reorganise themselves, as the Germans have done, for example, by moving production offshore to cheap labour areas."

In general, says Mr Prodi, the region's small and medium size businesses need "to advance the frontiers of their products" with a great deal more research and development effort. He believes that more than the one scientific park being planned for Bologna is needed to help improve the rate of product innovation in the region.

The former IRI president laments the absence of national or regional policies designed to help the small and medium size business sector. A law currently in parliament which offers s range of financial and technical assistance "is potentially helpful", he says.

Another problem clearly identified by Mr Prodi is a "dramatic labour scarcity" in Emilia Romagna. The application of national wage levels in the Mezzogiorno coupled with the growth of financial assistance of virtually every kind has choked off the impulse to emigrate which helped to satisfy the north of Italy's manpower requirements in the 1950s and 1960s.

"There has to be some wage differentiation or otherwise there is no real possibility of a relocation of labour," says Mr Prodi. In the meantime, substantial north African immigration is supplying s workforce for low-paid, low-skilled jobs. Nevertheless, Mr Prodi believes that the labour shortage will only worsen because of the region's extraordinarily low birth rate – one of the lowest in Italy, and Italy's is one of the lowest in Europe.

"This is why I should like to see more immigration, preferably from eastern Europe where they have s high level of basic scientific skills which will be lacking in Bologna."

Signs of racial tension

'Many companies are badly placed strategically. They are too small to reorganise'

between the native population and north African immigrants have been growing in recent months, but Mr Prodi believes that for the moment there is nothing to be unduly worried about. "Immigration provokes a reaction from the poorer members of society, but I don't think that the city's problems are worse than they were in the 1970s."

Nevertheless, a rash of murders, including the deaths of two *carabinieri*, has of late sparked a national inquisition about the social health of what has long been regarded as one of Italy's model cities.

For most of the post-war period Bologna has been governed by the Communist party

Alan Harper

Prodi: 'Managements are not thinking enough about innovation'

(now the party of the Democratic Left) and seen as an anomalous mixture of left-wing politics and entrepreneurial capitalism. The question has been asked whether the national decline of the Communist party, culminating in its recent change of identity, has led to s collapse of civic values in Emilia Romagna's leading city.

Mr Prodi believes that much of this speculation is overblown since Bologna's commitment to communism has always been unusual. In the first place, he says that Emilia Romagna's communists are extraordinarily moderate by national standards and, indeed, have played a restraining role at national level. Bologna has, however, been better run with a higher level of social provision than many other large Italian cities, he acknowledges.

Secondly, "the entrepreneurial spirit runs so deep in Bologna that communism has been no obstacle to social and economic development. The unions here understand the need for a good balance sheet," he adds.

Mr Prodi says that he has no desire to return to national politics (he was a Christian Democrat minister for industry in the late 1970s). "This is a creative phase in my life which is like a good retirement."

He is deeply preoccupied now about the state of the national economy, primarily because of the size of public deficits and of public debt. "The Italian economy remains more insulated and different from others in Europe than I had hoped." He believes that most leading Italian companies are struggling to adapt to European competition because of the malfunctioning of some basic fundamentals.

He remains convinced that a major privatisation programme is needed for the public sector – he had only limited success in fully privatising some IRI subsidiaries – and that the working of financial markets has to be improved and the role of Italian banks developed. "We cannot have the worst of all worlds: without a financial system which works in a comparable way to the UK and without a stable system for long-term ownership like you find in Japan and Germany."

John Wyles

The tile industry is centred around Modena and Reggio Emilia

Consolidation continues

FROM BEING banished to bathrooms and kitchens – where they largely remain in the UK and Scandinavia – ceramic tiles have become an increasingly important aspect of the fashion-conscious household.

So much so that the Italian *tile industry, largely* concentrated in the small town of Sassuolo near Modena, generated sales of just over L5,000bn ($3.8bn) last year. Around half of that total was exported, with foreign turnover rising by almost 4 per cent to L2,689bn in 1990 from L2,500bn in 1989.

Sales abroad by members of Assopiastrelle, the Italian tilemakers' association, accounted for about 1.4 per cent of Italy's total exports by valne last year.

Germany is the main foreign market, followed by France and the US, according to the association.

The industry generated sales of just over $3.8bn last year, and around half of that was for export

The concentration on the Modena and Reggio Emilis areas, where 200 of its 355 member companies are based, has its roots in a mixture of history and the snowball effect of expanding local expertise, which has pulled in other manufacturers and specialists over the years.

"There was a very old tradition", says a spokesman for Assopiastrelle, taking the old Roman furnace found by archaeologists in the area as evidence.

Although spurred by special post-war financial help, which accelerated the gradual industrialisation of what was previously a largely handicrafts-based business, many of the factors mentioned by local manufacturers today could just as well apply to a host of other Italian industries.

Fashion-consciousness, responsiveness to the market and a wide range of products top their lists, along with good design and creativity.

But few of Sassuolo's ceramics companies, almost all of which remain family-owned, date back much before the Second World War.

Only after 1945 did the industry gradually start to rationalise. That process continues today. But although Assopiastrelle's membership fell from *509 in 1975 to 362 a decade* later, the drop only partly reflects occasional crises in the business, as in the early 1980s.

The main reasons for the continuing consolidation process are rising costs, notably for energy and labour, and new technological challenges, which have pushed up the need for research and development spending.

Iris and Marazzi, both Sassuolo-based, are the two biggest companies in the business. Marazzi had sales of L470bn last year, while Iris's turnover last year was L535bn.

However, direct comparisons are complicated since the two groups have chosen different growth strategies.

Marazzi has set up factories abroad, with its works in Spain and the US about to be complemented by a new plant in Turkey.

By contrast, Iris, which employs 2,700 workers and exports around 70 per cent of its output, has opted for vertical integration. Among the companies in its group is Maffei, which supplies clay and other raw materials.

Typically for Emilia Romagna, the growth of one industry in a narrow region has stimulated the development of a variety of specialist suppliers and manufacturers in its wake.

Hence Italy is not just the world's top tilemaker, but also its primary source for tile-making equipment, with many equipment companies also being based in and around Sassuolo.

That means Assopiastrelle's members and their suppliers have often been technological trail-blazers too, as in the case of the single firing process for tiles, which opened the way to a host of new, heavy-duty uses for ceramic products.

Rather than multiple firing, in which tiles are baked, painted, and then re-baked at around 900 degrees Celsius, single firing involves a one-off baking process at around 1,200 degrees.

That prodnces a much tougher, harder-wearing product, which is increasingly been used for heavy duty applications, as in flooring for department stores, subway systems or airports, where attractive *appearance must be combined* with proven durability and the ability to withstand marked temperature changes.

Although it has by no means replaced double firing, which still accounts for around 20 per cent of the industry's output, single firing has undoubtedly been the most important individual contributor to the tilemakers' growth.

So much so that s variety of specialist products – notably facing tiles for buildings and the extra heavy duty granite or marble-look "porcelain stoneware" goods – are now competing head-on with traditional stone products and are being guaranteed for up to 180 years.

Meanwhile on the domestic front, upmarket tiles, which are still produced by double firing for the maximum lustre, *have turned increasingly into* fashion items.

Many of Assopiastrelle's members now produce special lines of "designer" tiles, with top Italian fashion names such as Valentino turning their hands to tile design.

Though still representing a relatively small slice at the very top of the market, many manufacturers expect such specialist products to grow in importance over the years.

Haig Simonian

IT HAS ambassadors accredited to the European Community, the Council of Europe and the United Nations; it is negotiating a form of association with the EC. Yet it has no central bank, very few economic statistics and nearly half its citizens live abroad.

In short, San Marino is a delightful absurdity, although one would be ill-advised to make such a comment within sarshot of the Sanmarinese, who have prospered greatly in recent years from tha nearly 3m tourists a year anxious to set foot in this arcane spot. The tiny nation state, perched solidly atop Mount Titano, 25 kilometres inland from Rimini on Emilia Romagna's east coast, is there as the world's smallest republic in a sense because it has always been there.

Its longevity owes much to a seemingly eternal desire for independence, a nearly permanent disinterest in its affairs in surrounding Italy and a strong sense of national identity. Though clearly under threat in this era of mass culture, this derives partly from a very particular history and partly, one suspects, from a sentimental attachment to social and political traditions. Medieval institutions still rule through the 60-member Great and Geoeral Council whose chief executive, the Captain Regent, changes every six months.

San Marino, the world's smallest republic, fears the impact of a united Europe, writes John Wyles

Struggle to preserve a sense of identity

Sanmarinese – about 20,000 of them – are scattered around the world hut they retain their citizenry and send representatives home every year for a gathering of the overseas communities.

Medieval institutions still rule through the 60-member Great and General Council

Legend has it that San Marino was founded as a religious community in the fourth century by Marino, a Christian stone-cutter from Croatia, whose healing powers and saintly lifs snhssqnently earned him canonisation. By the mid-13th century it was operating its own political institutions and its citizens lived according to a rigorous legal code which tended to favour the dispossessed and penalise the rich and powerful.

With its command of a strategic position unequalled in the region, the San Marinese have fought off the predatory ambitions of local bishops, but they also euccumbed for 50 years to rule by the Borgias, and were placed for a time under the dominion of the Holy See. Napoleon left them alone, as did the Germans but the British mounted foor bombing raids, despits the republic's neutrality in the Second World War, which killed 63 people and prompted the subsequent payment of £80,000.

The outrage is commemorated by a rather beantiful sculpture which stands outside the republic's tourism development office which, under the watchful direction of Ms Edith Tamagnini, makes a key contribution to ensuring the lucrative growth of the lifeblood of the republic's economy. Most of the visitors are daytrippers and the vast majority are Italians who take the winding road up Monte Titano to enjoy the spectacular views and the slightly hetter prices for a range of consumer goods than can he had in surrounding Italy.

Many of the public huildings date from a reconstruction phase in the 19th century, the most attractive being the Palazzo Pubblico where the republic's 60 councillors meet. The current strategy for tourism is to promote longer stays through the development of festivals and congresses – there is now an annual gathering of experts on AIDS, as well as a Vespa owners' rally and an international photographic festival. Sporting events – notably a Formula One grand prix and an international tennis tournament – are also exploited as a means of tourist promotion.

Quite how important tourism really is for the 23,000 residents of the 60 sq km republic can only be guessed at. The absence of any official data on gross domestic product does not appear to cause any great headaches for Mr Clelio Galassi, secretary of state for finance and the budget. "We do succeed in creating short- and medium-term economic plans even without key data," he saye.

The state itself is the largest employer, giving work to 3,000 of the 23,000 inhabitants – 31 per cent of the employed workforce. This ensures that public administration soaks up 70 per cent of annual spending which in 1991 is forecast at L301.7bn. Compared with Italy, the republic's budgetary situatioo is very bealthy indeed, recording a surplus of just over L6bn in 1990 thanks to an admirable control on the growth of public spending. Direct and indirect taxes account for only 12 per cent of reveoues sioce the regime is a benevolent one.

Per capita annual incomes among public employees averaged L24.1m in 1989 and L20.3m in the private sector. A directly employed worker in San Marino loses only 7.3 per cent of his gross income in direct taxes and social security contributions, compared with 23 per cent in Italy. Lsbour costs for employers are also significantly lower.

The fact that 57 per cent of the state's income derives from customs duties poses something of a problem of declining revenues for the futurc because of the republic's interest in securing a free trade agreement with the European Community. But the hope is that a larger and broader industrial base will be stimulated by sucb ao agreement and will geoerate compensating revenues. With the exception of textiles, "San Marino lacks a real production base because of its small workforce, but tbrough trainiog programmes we bope to attract high technology services companies," says Mr Galassi.

The minister is a member of the Christian Democrat party which currently makes up the San Marino government in coalition with the Partito Progressista, tbe former Communist party which changed its name well before its Italian sister. Independent it may be, but San Marino depends on Italy for a range of services and has had to impose restrictions on financial flows into and out of the republic so that they can be scrutinised by the Italian banking authorities.

'We succeed in creating economic plans even without key data'

San Marino has also absorbed a great deal of Italian political culture. The republic bad its own Fascist period before the Second World War and although Mr Galassi maintains that the San Marino DC is not afflicted by the factionalism of the Italian party, it has the same inter-class popular base.

Fearful of the impact of a uniting Europe on its sovereignty and sense of identity, San Marino has recently created its own university and later this year will launch its own television station. Ms Fausta Morganta Rossini, the minister of education and culture, would like some of the broadcasting time to be dedicated to an open university, along tbe British lines, hut the financial implications of tbis are still being studied.

Per capita education spending is higher than in Italy and the curriculum is broadly similar – it has to be because a significant number of Sanmarinese go to high school in nearby Rimini. Ms Rossini says that the products of the republic's school system are overqualified for the local economy, which is another reason for seeking to attract high technology production activities.

Lack of opportunities may be ooe explanation for some of the republic's sharply defined social problems. There is a drugs culture among a minority of its youth while adult neuroses have manifested themselves in one of the highest suicide rates in Europe. "It is not very easy to live in this small commuoity. It is rather claustrophobic," says Ms Rossini.

"EMILIA ROMAGNA was the cradle of the co-operative movement in Italy," says Lanfranco Turci, chairman of the Lega Nazionale Cooperative e Mutue, the "red" co-operatives' league. Born in the region's Modena province, Mr Turci grew up immersed in Emilia Romagna's co-operative culture and imhued with communist traditions.

The co-operative movement is being reorganised

Period of transition

Chairman of ths Emilia Romagna regional council from 1978 to 1987, Mr Turci was elected regional councillor on a Communist party ticket at the age of 30 in 1970. He became the Lega's chairman in May 1987 and has since been guiding it through a period of radical change.

"We are passing through a transition phase in which the movement is being reorganised. Concentration is leading to mergers. Members are becoming increasingly aware of the need for a husiness approach in their activities," notes Mr Turci.

The cradle of co-operatives in Italy, Emilia Romagna is now in the vanguard of the changes that are preparing the movement for ths next century. Growth is particularly strong in the tertiary sector, not least in finance where Bologna is the capital.

The Lega's Banec bank and Unipol insurance company have headquarters in the city. Italy's sixth largest insurance company, Unipol is the only co-operative venture quoted on the stock market. In conjunction with Visa, Banec and Unipol are issuing a credit card Unicard/Visa.

Stock market quotation, banking and credit cards are far removed from the Lega's early operations in Emilia Romagna, just over 100 years ago. "The movement started with agricultural workers joining together to avoid exploitation," says Mr Turci.

With a large area heing part of the fertile Po Valley, agricultural workers in Emilia Romagna were more fortunate than those elsewhere in Italy. But, nevertheless, hardship was widely felt among the braccianti farm labourers and by many small farmers. Co-operatives helped day labourers to sell their muscle power, and farmers to sell produce, purchase seed and materials and obtain finance.

Local political traditions played an important part in the growth of the co-operative movement in Emilia Romagna. "An enlightened middle class encouraged the creation of co-operatives. They fitted into a regional model of municipal socialism that was reformist rather than anarcho-syndicalist," explains Mr Turci.

The fortunes of the region'a co-operatives were closely linked to the political colour of government in Rome. "Fair play was the rule under Giolitti at the beginning of the century. But we suffered under authoritarian and conservative administrations, particularly fascism which placed a sharp brake on the movement," says Mr Turci. However, Emilia Romagna's co-operatives moved rapidly ahead when the brake was released at the end of the war.

"When the communist leader Palmiro Togliatti visited Reggio Emilia in 1946 he underlined the middle-class contrihution to ths region's redness. This has become increasingly true for the co-operatives, which are much more than proletarian alliances. Their memberships include a large proportion of middle classes from all professions, trades and jobs," says Mr Turci.

Indeed, the region's co-operatives have a noticeably white collar look. Nearly one-third of the 60,000 employees of Lega co-operatives in Emilia Romagna work in services and a further 8,000 in retail distribution, either in consumer or retailer co-operatives. Jobs in service co-operatives, liks transportation, social services and data processing, are nearly as numerous as in industrial/producer co-operatives, where abont 21,000 are employed.

Lanfranco Turci: 'concentration is leading to mergers'

With only 9,000 jobs, less than one-sixth of its total, agricultural co-operatives are no longer in the Lega's front line. Nevertheless, their aggregate snnual turnover of abont L4,000hn accounts for aroundone-third of the Lega's total turnover in Emilia Romagna.

The situation is differeot in the region's Conf co-operative, the "white" organisation that has Christian Democratic political affiliations. A little more tban one half of the 20,000 jobs in the organisation's co-operatives in Emilia Romagna are in agriculture, with this sector generating more than three quarters of total turnover of about L6,500bo.

"Tbe 'white' co-operatives in the region cootinue to rely on the past," remarks Mr Turci, acknowledging that tbey oevertheless remain a strong economic and social force. However, tbe Lega's "red" co-operatives are considerably more powerful, reflecting the political balance in tbe region.

Together, the 4,300 co-operatives of the Lega, Conf co-operative and the very small Associazione Generale Co-operative provide employment for 10 per cent of Emilia Romagna's workforce and generate more than 20 per ceot of its added value. Co-operative business is big business in the region.

Bnt it is not evenly spread. The northern provinces of Piacenza, Parma and Ferrara and Forli province in the south are less co-operatively-minded than Reggio Emilia, Modena, Bologna and Ravenna.

Some of the region's co-operatives enjoy wide – even international – recognition. Ravenna's Cooperativa Muratori Cementisti (CMC) and Carpi's Cooperativa Muratori Braccianti (CMB) are well-known in the construction sector in many parts of the world, particularly in developing countries wbere their know-bow has helped to erect factories, dams and other infrastructure works. Wines from the Cantine Riuoite enjoy good sales io export markets. And Sacmi's tile-making machinery has 40 per cent of the world market.

Not all the region's co-operatives have enjoyed sucb success. Last year Aica, a co-operative serving the agricultural sector, was put into liquidatioo. "It was symptomatic of the serious problems that exist in a sector where major restructuring is oeeded," Mr Turci says. He notes tbat under-capitalisation is a generalised difficulty, wbicb requires legislative changes to put it right.

But he is confident that Emilia Romagna's co-operatives will meet today's challenges. "Co-operatives fit well into the region's fabric of small and medium-size enterprises. There is well-balaoced development throughout the region that is belped hy well-administered local authorities. Though they are 'red', the Lega's members show the best aspects of entrepreneurial spirit."

David Lane

Growth market: Parma is the region's centre for a variety of foods - not just its world-renowned hams and cheeses

THE FOOD INDUSTRY

Culinary capital eyes expansion

NICKNAMED "food valley" by the locals, the area around Parma, the second biggest city in Emilia Romagna, is as renowned for its food-related businesses as it is for the excellence of its cuisine.

Just as Bologna ie the region'e uncontested industrial capital, Parma is its centre for a variety of foods, with its hams and cheeses its most familiar export to the outside world.

But while ham and cheese production is largely run by co-operatives, Parma's two other leading food groups, Parmalat and Barilla, are both limited companies.

Both were privately-owned until last year, when Parmalat, the smaller of the two, floated some of its shares on the stock exchange as part of a complex recapitalisation that brought in not just small private shareholders in Italy, but a number of big international institutions as well.

Still majority-owned hy the Tanzi family, Parmalat had sales of L1,102bn last year, a figure it expects will rise to L1,200bn in 1991.

Best known for its dairy products – and especially for the long-life milk to which it has given its name – the company, which is based in Collecchio, a small town to the south-west of Parma, has been on a rapid expansion drive.

Although the bulk of its production is in Emilia Romagna, where some 1,000 of its 1,800 Italian employees are based, Parmalat also has plants in a number of other locations. Last year's acquisition of new operations in Brazil, where its workforce has now more than tripled to around 2,000, is likely to be followed by the purchase of new activities in Spain and possibly eastern Europe this year.

Just to the other side of Parma lies Barilla, Italy's biggest pasta maker, whose modern plant is a landmark for drivers on the busy Milan-Bologna motorway. The company, founded hy Pietro Barilla in 1875, remains strictly private in more ways than one.

With 6,500 employees, almost all in Italy, and sales of around L2,400bn last year, the company is now back in the family's hands after a brief period of ownership by W.R. Grace, the US multinational.

Run now by Pietro Barilla, who is assisted by two of his three aons, the company's emphasis on security can leave something of a sour taste for first-time visitors that not even its biscuits and cakes can sweeten. Whether naturally cautious, or just anxious about kidnapping and organised crime, the group's security is more akin to a high-tech defence plant than an overgrown bakery.

Exports may rise following a landmark US decision in late 1989 to allow the import of Parma ham for the first time

A warmer welcome can usually be had at the region's two leading food co-operatives. Based in the centre of Parma, the Consorzio del Prosciutto di Parma groups together 215 makers of its renowned ham.

Though it comes as a surprise to some, Parma ham is raw, gaining its fine taste from an age-old salting and maturing process that dates back to at least 1500 and which can last as long as three years. Most Parma hams sold in the shops tend to be a little younger, being sold after 12-18 months of carefully-controlled hanging.

Constant vigilance during the maturing process is also a feature of the region's cheese industry, and especially of the Reggio Emilia-based Consorzio del Formaggio Parmigiano Reggiano.

Its 860 members, each of which often comprises a number of separate dairy farmers, lie behind the production of Italy's most prestigious – and most expensive – cheese.

According to Senator Gianpola Mora, the co-operative's chairman and a cheese maker in his own right, its members have to obey even stricter standards than those regulating the ham co-operative.

Annual sales of Parma ham have risen to around L1,400bn, and the industry now provides johs for some 4,000 people, according to the co-operative's Ettore Grisendi.

While most members make around 50,000-60,000 hams a year, the biggest can go up to 400,000 annually. Exports, which account for around 19 per cent of production, may be set to rise following a landmark US decision in late 1989 to allow the import of Parma ham for the first time. Previously excluded under a law forbidding the importation of all raw foodstuffs, the hams were finally made the subject of a special law to allow US consumers to savour their taste.

Meanwhile sales of Parmigiano Reggiano, which is the superior of the two categories of Grana cheese produced in the region, havs also risen strongly, reaching around L1,200bn last year. In volume terms, the co-operative eold some 2.8m of its huge, 33-36kg circular slabs of cheese in 1990.

Ths existence of strict, government-imposed standards, supervised by the co-operatives, has helped both to foster the growth and international reputation of their products, it is argued.

Ham producers have to observe strictly codified rules about what type of feedstocks are used, when animals should be slaughtered and how the hams should be treated.

To bear the seal of a true "Parmigiano Reggiano" cheese, the milk has to come from a strictly defined part of the region. The cows used can only be fed on specific products and graze on certain pastures. Total milk consumption was 1.5m tonnes last year, representing some 18 per cent of Italy's total milk production.

Having such a thirsty neighbour has proved a long-standing problem for Parmalat. For the relative scarcity of dairy farming in Italian agriculture and the strong demands of the cheese industry mean that Parmalat has been increasingly obliged to look heyond regional, or even national, borders for its basic raw material. With Italian milk prodnction relatively limited, fleets of tankers now bring in supplies on a daily basis from as far afield as Bavaria and Normandy.

Haig Simonian

THE WEEK AHEAD

ECONOMICS

Scanning UK statistics for signs of recovery

SEVERAL UK statistics should attract attention this week, while there are plenty of releases to keep the markets up-to-date on the current intensity of inflationary pressures in Germany and Japan.

Today's provisional retail sales figure for April should merit close scrutiny. The sharp 3.7 per cent rise in the March sales volumes was pumped up by a buying spree ahead of the budget increases in VAT and excise duties, which came into effect from April 1.

Analysts expect most of this rise to come out of the April number and for year-on-year volume levels to return to the negative.

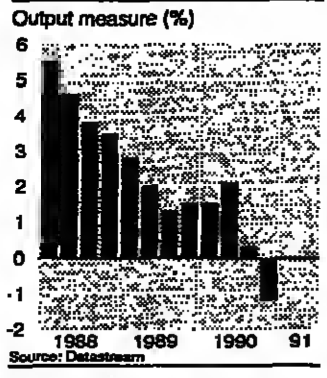
Money supply figures could also give some tentative signs of an emerging recovery, with a small rise in the rate of growth of M0, which comprises almost entirely notes and coins in circulation.

The City is expecting a return to higher levels of lending after consumer credit's fall to a six-year low last week. Concern is emerging about the current account deficit, and, in particular, the evidence that the UK exporting performance has collapsed in the recession.

With sterling strong against the D-Mark, the possibilities of directing prodnction to tha D-Mark hlock countries are hamstrung; but the dollar's strength, together with US pulling out of recession, should help to lift exports to the US out of their current trough.

GDP annual growth

Output measure (%)



Source: Datastream

On inflation, this week's figures are likely to support predictions that inflation will be lower in all major G7 economies as a whole in 1991 in annual average terms.

However, there is worry that this will be a statistical illusion with inflationary pressures set to revive – or stop abating – in 1992 as the Anglo-Saxon economies move out of recession back to trend growth levels in gross domestic product.

Other notable events and statistics, with market forecasts from MMS International, tha financial research company in brackets, include:

Today: UK, Confederation of British Industry/FT survey of distributive trades, provisional retail sales for April (down 3.2 per cent). Japan, industrial production for March.

Tomorrow: UK, London and Scottish bankers provisional monthly statement for April, provisional estimate of monetary aggregates (M0 0.1 per cent, M4 0.9 per cent, M4 bank lending £3.1bn). France, industrial prodnction for March (down 0.5 per cent). US, Treasury budget for April ($33bn).

Wednesday: UK, output-based gross domestic product, first quarter provisional (down 0.9 per cent). Canada, March retail sales (flat).

Thursday: US, durable goods orders for April (1.9 per cent), auto sales till mid-May (5.8m) Japan, leading series for March, large store sales for April. UK, visible trada for April (down £900m) current account (down £400m).

Friday: France, first quarter GDP (down 0.1 per cent), March unemployment (9.3 per cent). UK building society new commitments for April (£3.1bn). Japan, workers personal consumption and expenditure.

During the week: Germany, producer price index for April, import prices and preliminary cost of living for May. Japan, wholesale price data and trade balance 1-10 May. Median forecasts from MMS international, the finance research company.

Rachel Johnson

RESULTS DUE

British Airways is expected to report on Tuesday sharply lower earnings for its financial year ending in March, reflecting the severe slump in air travel caused by the Gulf war. The City is expecting pre-tax profits of around £150m-£160m compared with profits of £345m for the previous financial year ending March 1990.

The airline is expected to show particularly heavy losses in the final quarter of its latest financial year. This has raised the question whether BA will maintain its final dividend.

The market will also be looking for any new indications from BA on the timing of a recovery in traffic growth following the Gulf war and recession-led slump.

British Telecom is expected to report on Thursday an increase in taxable profits from £2.6bn to more than £3bn for the year ended March. If not exactly recession proof, the company will show that it can weather a downturn in the economy better than most manufacturing groups.

Interim results from Bass, the hrewer and international hotels operator, on Wednesday will reflect the effects of the Gulf war and recession. After two recent warnings from the company of tough trading conditions, analysts forecast a 15 per cent decline in first half profits to hetween £205m and £210m.

Whitbread is expected to report full year pre-tax profits on Thursday of around £285m, ahead by 9 per cent, after modest second half trading improvements in its pub and other retailing operations.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
ATA Selection, Salisbury House, London Wall, E.C., 12.00
Brent Chemicals, Post House Hotel, West Drayton, Middx., 3.30
Cannon Street Invs., St. James Court Hotel, Buckingham Gate, S.W., 12.00
Central & Sheerwood, Mirror Building, Holborn Circus, E.C., 11.00
Commercial Bank of London, Bankside House, 107-112, Leadenhall Street, E.C., 12.00
Henderson Highland Trust, 3, Finsbury Avenue, E.C., 12.30
Pendragon, Lund Pavilion, Derbyshire C.C.C., Nottingham Road, Derby, 10.45
Rea Brothers, Great Eastern Hotel, Liverpool Street, E.C., 12.00
Roskel, Painters Hall, 9, Little Trinity Lane, E.C., 12.00
Savoy Hotel, Savoy Hotel, Strand, W.C., 12.00
Serif Cowells, Post House, London Road, Ipswich, Suffolk, 12.00
Sunleigh, Hill Samuel Bank, 100, Wood Street, E.C., 10.00
BOARD MEETINGS:
Finals:
Associated British Foods
Goldsmiths
Halls Homes & Gardens
Prowting
Stratton Inv. Trust
Interims:
F & C Eurotrust

■ TOMORROW
COMPANY MEETINGS:
APV, Grocers Hall, Princes Street, E.C., 12.15
Astec (BSR), London Hilton, 22, Park Lane, W., 11.00
Caparo Inds., Stoy Howard, 8, Baker Street, W., 12.00
Costain, Ironmongers Hall, Shaftesbury Place, Barbican, E.C., 12.00
Fisons, London Hilton, 22, Park Lane, W., 11.00
Macfarlane (Clansman), Merchants House, 7, West George Street, Glasgow, 12.00
River & Mercantile American Cap. & Inc. Trust, New Connaught Rooms, Great Queen Street, W.C., 11.00
SD-Scicon, Waldorf Hotel, Aldwych, W.C., 12.00
TT Group, Tallow Chandlers Hall, 4, Dow Gate Hill, E.C., 12.15
Tibbett & Britten, Butchers Hall, 87, Bartholomew Close, E.C., 10.00
Trade Indemnity, 12-34, Great Eastern Street, E.C., 12.00
Wiggins Teape Appleton, The Brewery, Chiswell Street, E.C., 11.00
BOARD MEETINGS:
Finals:
British Airways
British American Film
Comac
Cook (Wm.)
Readicut Intl.
Interims:
Anglo Scandinavian Inv.
Archimedes Inv. Trust
Compass
Fairline Boats
New Zealand Inv. Trust
Tunstall
Yorkshire Television
Young (H.)

■ WEDNESDAY MAY 22
COMPANY MEETINGS:
Abbeycrest, St. Pauls House, Park Square, Leeds, 2.00
Anglia TV, Studio E, Magdalen Street, Norwich, 12.00
British Dredging, Royal Hotel, St. Mary Street, Cardiff, 12.00
Clinton Cards, Crystal Building, Langston Road, Loughton, Essex, 10.30
Densitron Intl., Ironmongers Hall, Aldersgate Street, Barbican, E.C., 12.00
Fitch RS, Chartered Society of Designers, 29, Bedford Square, W.C., 11.00
Guardian Royal Exchange, Institute of Chartered Accountants, Moorgate Place, E.C., 12.00
Metalrax, Plough & Harrow Hotel, Hagley Road, Edgbaston, Birmingham, 11.45
P-E Intl., Savoy Hotel, Strand, W.C., 12.00
Perkins Foods, Barber-Surgeons Hall, Monkwell Square, Wood Street, E.C., 12.30
Portmeirion Potteries, London Road, Stoke-on-Trent, 2.30
Severfield-Reeve, Angel Inn, Long Street, Topcliffe, Thirsk, 12.00
Singer & Friedlander, 21, New Street, Bishopsgate, E.C., 12.30
Slough Estates, Savoy Hotel, Strand, W.C., 12.00
Willis Corroon, 10, Trinity Square, E.C., 12.00
BOARD MEETINGS:
Finals:
Blacks Leisure
Chamberlin & Hill
Courtaulds
Foster (John)
Land Securities
Plysu
Turkey Trust
York Waterworks
Interims:
Baggeridge Brick
Dunedin Worldwide Inv.
Ferry Pickering
Fleming High Inc. Inv.
Shaftesbury
Whessoe

■ THURSDAY MAY 23
COMPANY MEETINGS:
Atlas Converting Equipment, 4, Broadgate, E.C., 12.30
Baird (Wm.), Caledonian Hotel, Princes Street, Edinburgh, 12.00
Larlows, Chester Grosvenor Hotel, Chester, 12.00
Bemrose, Stationers Hall, Ave Maria Lane, E.C., 11.45
Billam (J.), Sheffield Moat House Hotel, Chesterfield Road South, Sheffield, 11.00
Boosey & Hawkes, Holiday Inn, Swiss Cottage, 128, King Henry's Road, N.W., 12.00
Bostrom, Stone Circle Road, Round Spinney, Northampton, 12.00
Bridgend, Cloisters Wood Country Club, Wood Lane, Stanmore, Middx., 12.00
Clayton, Son, Moor End Works, Hunslet, Leeds, 2.00
Eurotunnel, Westminster Central Hall, Storeys Gate, S.W., 3.30
F & C Pacific Inv. Trust, Exchange House, Primrose Street, E.C., 12.00
Folkes, Hyatt Regency Hotel, 2, Bridge Street, Birmingham, 12.00
Gold & Base Metal Mines, Honourable Artillery Co., Armoury House, City Road, E.C., 11.30
Hornby, Great Danes Hotel, Hollingbourne, Maidstone, 11.00
Liberty, 214-220, Regent Street, W., 12.00
London Finance & Inv., Honourable Artillery Co., Armoury House, City Road, E.C., 12.00
Owners Abroad, Farmers & Fletchers Livery Hall, 3, Cloth Street, E.C., 10.30
RTZ, Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 11.00
Redland, Plaisterers Hall, 1, London Wall, E.C., 12.15
Rotork, Rotork House, Brassmill, Bath, 12.00
Secure Trust, Edmund House, 12, Newhall Street, Birmingham, 12.15
Suter, Howard Hotel, Temple Place, W.C., 12.00
World of Leather, World of Leather, North Circular Road, N.W., 12.00
BOARD MEETINGS:
Finals:
Airflow Streamlines
Allied Provincial Sec.
Alpine Group
Bio-Isolates
Gerrard & National
Storehouse
Thames TV
Whitbread
Yorkshire Water
Young Brewery
Interims:
Acatos & Hutcheson
Archer (A. J.)
Dobson Park
Morland & Co.
Thornton (G. W.)
Warner Estate

■ FRIDAY MAY 24
COMPANY MEETINGS:
Ash & Lacy, Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 12.00
Ashley (Laura), Carno Community Centre, Carno, Powys, 10.30
Betacom, Unit 1, Ponders End Ind. Est., Duck Lees Lane, Enfield, Middx., 11.00
Boot (Henry), Baldwins Omega, Brincliffe Hill, Sheffield, 12.00
Breedon, Breedon-on-the-Hill, Derby, 10.30
Bristol, Savoy Hotel, Strand, W.C., 12.00
Bund, Tower Thistle Hotel, St. Katharine's Way, E.C., 12.00
Burofield, 12, Hockley Court, Hockley Heath, Solihull, W. Midlands, 12.00
City & Commercial Inv. Trust, 11, Devonshire Square, E.C., 12.00
Cookson, Pewterers Hall, Oat Lane, E.C., 12.00
Dawsongroup, Delaware Drive, Tongwell, Milton Keynes, 12.00
Hunting, 3, Cockspur Street, S.W., 10.30
Inchcape, Le Meridien Hotel, 21, Piccadilly, W., 12.00
Ipeco Hldgs., Airport Moat House Hotel, Aviation Way, Southend Airport, 10.00
NMW Computers, Stapeley House, London Road, Nantwich, Cheshire, 12.00
Polymark, Dukes Court, Duke Street, Woking, Surrey, 11.00
RMC, Inn on the Park, Hamilton Place, Park Lane, W., 11.30
Relyon, Wellington, Somerset, 12.00
Senior Engineering, Glaziers Hall, 9, Montague Close, London Bridge, S.E., 12.30
Shorco, Hilton Intl. Hotel, Neville Street, Leeds, 12.00
Tudor, Lyttleton Arms Hotel, Hagley, Stourbridge, W. Midlands, 12.00
Ward Group, Royal York Hotel, York, 12.00
Weir, Merchants Hall, 30, George Sq, Glasgow, 12.00
Wilson (Connolly), Northampton Moat House, Northampton, 12.00
BOARD MEETINGS:
Finals:
Castings
Central Independent TV
Donelon Tyson
Folkestone & District Water
Linton Park
Mezzanine Cap. & Inc. Tst
Interims:
Kalsey Inds.
Western Selection
Wolverhampton & Dudley Brew.

Company meetings are annual general meetings unless otherwise stated

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Aon Corp. 40cts.
Assoc. Brit. Ports 4.5p
Bankers Tst. Int. Cap. Gtd. Fltg. Rate Sub. Nts. 1996 $168.75
Caterpillar 30cts.
Doeflex 2.7p
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Scholl 3.5p
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Slough Ests. 8% Cv. Bds. 2003 (Reg) 8pc.
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Treasury 2½% I.L. 2003 £2.0521
Treasury 2½% I.L. 2009 £2.0521
Wells Fargo Fltg. Rate Sub. Nts. Feb. 1997 $168.75

■ TOMORROW
ASW 8p
Allied Irish Banks Und. Var. Rate Nts. $194.69
Boxmore Int. 4.4p
Brent Chems. 5.8p
Christiania Bank OG Kreditkasse Senior Fltg. Rate Nts. 1995 $527.92
Comm. Bk. of Ldn. (Reg) 32.5p
EW Fact 2.75p
Henderson H'land Tst. 1.3125p
Leeds Perm. Bldg. Society Fltg. Rate Nts. 1997 £319.42
Mallett 4p
Pittencrieff 2.5p
Richards Group 2.75p
Security Pacific Fltg. Rate Sub. Cap. Nts. 1997 $180.07
Sumit 3.8p
TSW 1.25p
Tokyo Elect. Power Fltg. Rate Nts. 1992 Y384315.0
Treasury 12½% 2003/05 6¼pc.

■ WEDNESDAY MAY 22
Air London Intl. 1.4p
Brooks Service 3.91p
Christies Intl. 6p
Conversion 10¼% 1999 5⅛pc.
European Inv. Bk. 10⅜% Ln. 2004 (Reg) 5 3/16 pc.
Gillette 15.5cts.
Glaxo 8.6p
Local Authority 15⅝% Bds. 22/5/91 £7.9402
Merrill Lynch 25cts.
New Zealand Fltg. Rate Nts. 1997 £159.26
P & O Dfd. 17p
River & Mercantile Amer. Cap. & Inc. Tst. 2.4p
Sea Containers 35cts.
Standard Chartered Sub. Fltg. Rate Nts. 1998 £159.71
Sun Life 33.65p
TSB Offshore Inv. Fd. Ptg. Rd. Pf. (Gilt & Fixed Int. Class) 3p
Do. (Intl. Bd. Class) 5.1p
Do. (Intl. Equity Class) 1.3p
TSB Offshore Inv. Fd. Ptg. Rd. Pf. (Sterl. Deposit Class) 3.2p
Do. (Blue Chip & Gilt Edged Class) 1.87p
Treasury 14% 1998/2001 7pc.
Treasury 2½% I.L. Cv. 1999 £1.8748
Unilever 13.3p
Woolwich Bldg. Society Fltg. Rate Ln. Nts. 1995 £320.03

■ THURSDAY MAY 23
Abbeycrest 2.4p
Allied Irish Banks Undated Fltg. Rate Nts. $414.79
Assoc. Fisheries 8p
Brent Walker 1st Cm. Cv. Rd. Pf. 8.5p
Clayton, Son 0.3p
Commerzbank Overseas Fin. Fltg. Rate Nts. 1995 $502.78
Dauphin 3.4p
Emess 2.2p
Ericsson (LM) B SKr3.5
Handley-Walker 5p
Macfarlane (Clansman) 2.332p
Merchants Tst. 2.25p
Norsk Hydro NKr4.25
Perkins Foods 2.3p
Portmeirion Potteries 5.1p
Pressac 0.75p
Singer & Friedlander 1.5p
Steel Burrill Jones 8.25p
Sunderland (Borough of) 11⅜% Rd. 2008 5 11/16 pc.
Treasury 13¾% Ln. 1993 6⅞pc.
Trinidad & Tobago 12¼% Ln. 2009 (Reg) 6⅛pc.
Do. (Br) 6⅛pc.

■ FRIDAY MAY 24
Barratt Devs. 3.21p
Barry Wehmiller 2.4p
Boot (Henry) 18p
Breedon 2.85p
Clondalkin 2.484p
Derwent Valley 5.5p
Eaton Corp. 55cts.
F & C Pacific Inv. Tst. 1.35p
Fairhaven Intl. 0.2cts
Greggs 9p
Hornby 9p
Iceland Frozen Foods 4.9p
Laporte 11.4p
Lloyds Eurofinance Gtd. Fltg. Rate Nts. 1998 £156.42
Lopex 1.1p
McLaughlin & Harvey 6.75p
Memec 5.35p
Midland Bank 1.7p
Minerals Oils & Res. 18cts.
Molins 9p
Murray Intl. Tst. 3.35p
Murray Ventures 3.4p
Owners Abroad 2.075p
Page (Michael) 1.2p
Richardsons Westgarth 1.55p
Royal Bank of Canada 29cts
Sherwood Group 5.9p
Tibbett & Britten 6.3p
UDO 1.82p
Unilever Fl.3.83
WSP 1.8p
Wassall 1.8p
Wilson Bowden 5.9p

■ SATURDAY MAY 25
Aluminum Co of America 40cts.
Bailey (Ben) Construction 0.3p
Bemrose 7.45p

PARLIAMENTARY DIARY

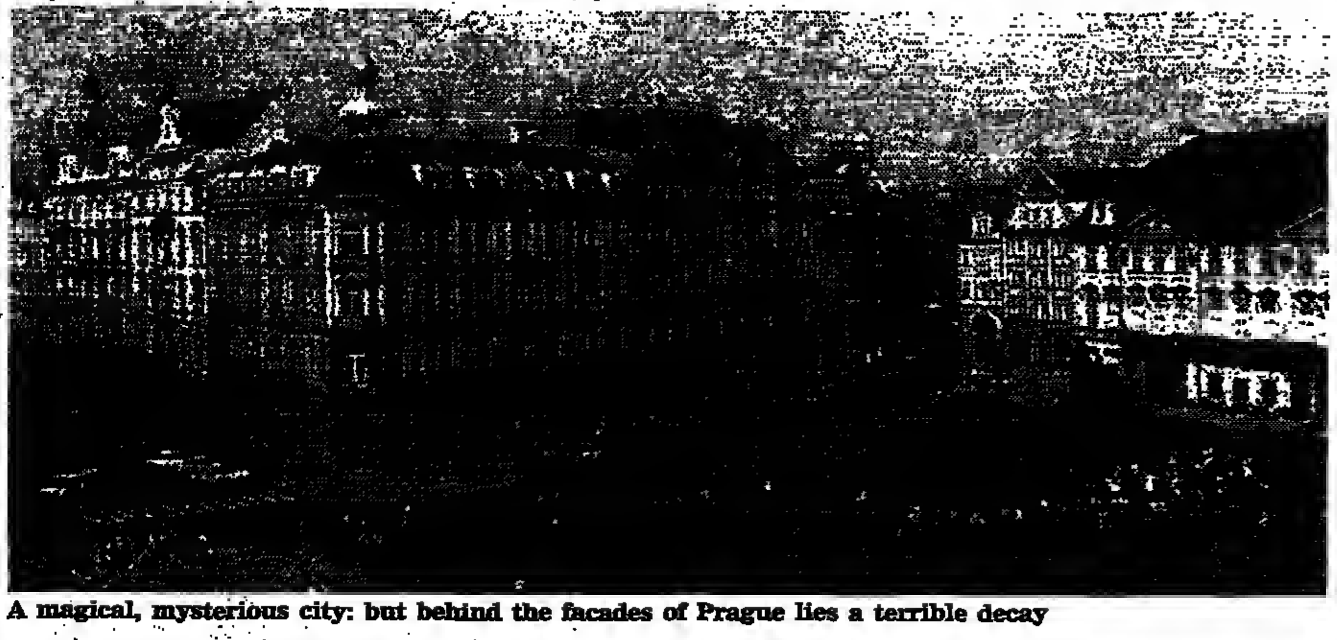
■ TODAY
Commons: Debate on "next steps" in the Civil Service. Motion on EC document on energy. Opposed private business from 7pm.
Lords: Criminal Justice Bill, report. Arms Control and Disarmament (Inspections) Bill, committee. Registered Homes (Amendment) Bill, second reading. Question to government on policy over mobile telephone development.
Select Committee: Public Accounts – subject, NHS supplies. Witness: Mr Duncan Nichol, chief executive, NHS management (Room 15, 4.30pm).

■ TOMORROW
Commons: Consideration of Lords Amendments to the Disability Living Allowance and Disability Working Allowance Bill.
Lords: Criminal Justice Bill, report. Criminal Procedures (Insanity and Unfitness to Plead) Bill, second reading. Wildlife and Countryside Bill, committee.
Select Committees: Social Security and Health – subject, financing of private nursing homes. Witnesses: Association of Metropolitan Authorities; Association of County Councils; National Association of Health Authorities and Trusts (Room 21, 10.15am).
Members' Interests – subject, Registration and Declarations. Witness: Stanley Orme MP (Room 15, 4.45pm).

■ WEDNESDAY
Commons: New Roads and Street Works Bill, remaining stages. Motion on MPs' resettlement grant.
Lords: Debate on fixed term Parliaments. Debate on neglect in the inner cities. Radioactive Material (Road Transport) Bill, second reading. Question to government on help for the deaf.
Select Committees: Health – subject, NHS trusts. Witnesses: Bradford Hospital's Trust and the Guy's and Lewisham Trust; William Waldegrave MP, Health Secretary, and Duncan Nichol, chief executive NHS management (Grand Committee Room Westminster Hall, 10.30am).
Environment – subject, Eco-labelling. Witnesses: Environment department officials (Room 21, 10.45am).
Trade and Industry – subject, takeovers and mergers. Witnesses: Edward Walker-Arnott of Herbert Smith; Stephen Hall of Ernst & Young; John Nelson of Lazards (Room 15, 10.45am).
Defence – subject, implications of operation Granby for future defence requirements. Witness: Air Vice Marshal Bill Wratten (Room 16, 10.50am).
Energy – subject, clean coal technology. Witness: Energy Secretary John Wakeham MP (Room 8, 11am).
Health – subject, maternity services. Witnesses: Maternity Alliance; Health Education Authority (Room 21, 4.15pm).
Public Accounts – subject, management of information technology security in government departments. Witnesses: Treasury officials (Room 16, 4.15pm).
Home Affairs – subject, finance of greyhound racing. Witnesses: NGRC, BGRB, Promoter's Association; Greyhound Trainers Association (Room 8, 4.30pm).
Treasury and Civil Service – subject, International Monetary Arrangements. Witnesses: Treasury officials (Room 18, 4.30pm).
Committee on Opposed Private Bill: Midland Metro (No 2) Bill (Room 8, 9.30am).

■ THURSDAY
Commons: Debates on the adjournment.
Lords: Debate on science and technology committee report on science budget and research programmes. Atomic Weapons Establishments Bill, second reading. Question to government on the provision of non pop music on commercial radio.
Committee on Opposed Private Bill: Midland Metro (No 2) bill (Room 8, 10.30am).

ARTS



A magical, mysterious city: but behind the facades of Prague lies a terrible decay

Another spring in Prague

Colin Amery opines gentle care, not roaring redevelopment

It was time for another Prague spring. Earlier this month President Havel's trumpeters played from the high windows of Prague Castle to welcome, not just the Prince and Princess of Wales, but also the delegates to the European Forum of the World Monuments Fund and a huge gathering of international business leaders. Czechoslovakia is miraculously poised to recover from 40 years of repressive communism. The new government is ready to turn the spring into summer – but it needs international help to ensure a creative and distinctively Czechoslovakian flowering.

The World Monuments Fund (sponsored by the Samuel H. Kress Foundation) deliberately coincided its conference with the Prince of Wales's Business Leaders Forum in order to discuss the crucial subject of historic architecture as a resource for development. The combination of "history" and "development" may have an ominous ring but it identifies an area that will undoubtedly be a substantial resource for the future.

Papers read at a conference and the catalytic effect of international meetings obviously have their uses, but the most moving and powerful influences are the Czech monuments and buildings themselves. It is their treatment that will determine the quality of life for both natives and tourists in the future.

The cultural fabric of Czechoslovakia has a rare density that is curiously enhanced by long years of neglect. There can be no doubt that visitors with a sensitivity to the gentle movements of history and a penchant for the picturesque qualities of decay should pay long visits to Czechoslovakia now. Prague's historic centre enjoys elaborate protection but it is bound to change. The prophetic vision of *Libusa* (the primeval "mother" of Bohemia) – "I see a city whose glory will reach the stars" – has already been fulfilled. What can match the present view of Prague from the Charles Bridge? By day it has sustained the vision of a city with real countryside on its edges in the shape of wooded hills. By night the absence of sodium orange lighting and advertising signs preserves the childlike sense of a magic city – a place of safety and mysterious beauty.

But behind the facades of Prague lies terrible decay. Great palaces of superb architectural quality are empty or used for storage. The Fischer von Erlach Clam Gallas palace in the centre of the old city houses archives in rooms where the silk hangs from the walls in tatters and ancient coal stoves pollute the air. The need to upgrade both housing and hotels will change the nature of the historic centre. Perhaps the worst threat is the car, which is wonderfully absent in parts of the city.

You can enjoy complete silence in parts of Prague. There are still chestnut trees by the river and swans nesting in riverside gardens. Prague's churches have the advantage of enjoying an immunity to the aesthetic depredations that followed the second Vatican council. Altars have been left where they belong and there is a complete lack of the visual clutter of notice boards, souvenir stalls and coffee bars that so diminish the significance of many Anglican churches. May God preserve Czechoslovakia from Soundguides, son et lumière, shops, theme parks, MacDonalds and Disneyland in all its forms.

There is already a visible danger to be seen in the poor quality of the new hotels being built on the outskirts of the old city centre. The Atrium Hotel is quite simply horrendously ugly while The Diplomat may be comfortable but it offers nothing to the architectural patrimony of this city. No one doubts that the city needs more hotel beds and better food and service, but why rush ahead to build modern monster hotels when there is time to sew hotel rooms gently into the historic fabric?

The lack of funds and the uncertainty over many ownership issues in Prague probably means that the city can be saved from an insensitive capitalist blitz. Gradually a sense of the extraordinary value of the patrimony is growing and I sensed a certain Czech caution when officials were brought face to face with fat, cigar-waving capitalists. Gentle care will produce more lasting benefits than roaring redevelopment.

In the countryside Czechoslovakia is full of neglected and unknown wonders. I have been visiting dozens of abandoned and empty country houses and monasteries that are of such beauty and romance that I hesitate to draw attention to them at all. The Baroque country house reaches its apogée in Bohemia – some are restored and open to the public. Many will be the subject of the complex restitution laws which will allow families to claim back properties confiscated by the communist regime since 1948. If families do not claim – and you have to have Czech nationality – the government is considering auctions allowing Czech nationals the first refusal.

Will there be a rash of hotel conversions, conference centres and flats? There is no state money for the establishment of *posadas* or *paradores* on the Portuguese or Spanish models. Plans are afoot for an English effort to list and catalogue the country houses to establish a system of priorities and to begin to deal with the difficult question of furnishings and contents which are already in museums and galleries. Families have some restitution rights over these treasures too, and European salerooms are actively snooping around to secure significant sales.

Czechoslovakia has the chance to adopt a gradual and careful aesthetic plan for the maintenance and re-use of its historic patrimony. It must be able to learn from the mistakes and successes of other western European countries. The restitution of land remains an almost insoluble problem after decades of collectivisation – and in many ways land is the key to the future planning and flowering of this remarkable country. Spring has arrived but there is work to do to ensure a careful harvest.

Timon of Athens

COLISEUM

Stephen Oliver (b. 1950), whose two-act *Timon of Athens* was given its first performance by English National Opera last Friday, is a composer of immense experience, above all in the theatre. His work-list, which is already of 18th-century length and variety, numbers more than 40 operas as well as the West End musical *Blondel* and much music for plays and films.

Oliver makes his own librettos; this should come as no surprise, since he is also a wordsmith of enviable fluency (regular listeners to Radio 4's *Stop the Week* always prize his contributions, as much for cultivated breadth as for glancing merry wit). He is a *practical* composer, trusted by performers, who has demonstrated that he lives in the real, rather than an idealised, world of theatre.

So the questions one poses about *Timon*, an inert mass of undramatic notions ill-realised for the lyric stage, must inevitably belong to the realm of autopsy. How on earth could *this* composer have given us *this* opera? And why on earth did he want to? Nothing that happens on the stage or in the pit of the Coliseum explains why Oliver should have chosen to adapt the play – "the bitterest and most negative of all Shakespeare's tragedies", according to the New Penguin Shakespeare *Timon* editor – for operatic purposes.

On the simplest level, I fear, his music adds nothing to its experience, and at times seems positively to obfuscate our understanding of it. (The change to the ending seems entirely unprepared for by earlier events and characterisations: Timon snatches Alcibiades's knife to kill himself, botches it, and in an act of charity Alcibiades finishes him off.)

There is already a large body of Shakespeare-adapted operas of which the same can be said – Reimann's *Lear*, which ENO were performing earlier in the season, is one of them, although unlike this *Timon* it gives off a superficial theatrical energy by belabouring the audience's ears with ferocious outbursts of sound-assault. It's sad, though, and indeed surprising that Oliver has all too evidently failed to learn from the mistakes of others.

This is by no means the most *inept* new opera ENO have mounted. The cutting-down and conflation of characters shows some skill; so too the balancing of solo and ensemble voices (of particular relevance in the first act, which closes on Timon's banquet of stones), and the assortment of vocal styles for an all-male cast with the soprano-register contrast of two boy-soprano servants.

But there is, for most of the time, a sore lack of variety in Oliver's musical language. It's specially odd that he should frame so much of his argument in that all-too-familiar post-Bergian non-tonality, clothed in percussive gestures and sometimes nodding in the direction of the more lapidary Tippett, that now reeks of a particular kind of post-war modernism.

The moments of relief – which come with the music for the jester Apemantus (attractive unison lines, decorative in scoring) and later for the quartet of faithful servants (Bach-like in chorale shape, with suggestions of a consort of viols in the accompaniment) – only serve to point up the startling anonymous greyness, in vocal and instrumental sound, of the main musical text. Given all this, and the painfully slow gait of the second act, the impression is of a short opera (two hours 40 minutes with interval) that is agonisingly long, and becalmed in direction and purpose.

The history of opera is littered with critical pronouncements of first-night disaster subsequently and triumphantly reversed. I shall temper the finality of my disappointment with Oliver's *Timon* by wondering whether a more helpful production in a more intimate theatre might not reveal qualities so effectively hidden on Friday.

It was not a performance to give much cheer to believers of word-audibility. Was this the composer's fault, the conductor's (Graeme Jenkins), or the fact that the stage design (a lowering grey box of South Bank-style concrete surface) by Chris Dyer appeared to send words and vocal tone straight up into the flies? The modern-dress production could be categorised, unkindly, as being in Graham Vick's "hair-shirt" mode: no frills, no concessions to pleasure, and a few strokes of inspiration along the way.

The evening's saving grace was the tireless devotion of the large cast, headed by Monte Jaffe (a generously unsparing Timon), Gregory Yurisich (a fiery Alcibiades), and Keith Latham (Apemantus), with notable smaller contributions from Nicholas Folwell, Geoffrey Pogson, and Quentin Hayes. But what a Lenten entertainment; and, from this composer, how unexpected!

Max Loppert

Alastair Muir

Monte Jaffe (left) and Geoffrey Pogson

Dumay & Pires

QUEEN ELIZABETH HALL

The virtues of Augustin Dumay and Maria Joao Pires are well matched: Dumay's aristocratic, immaculate violin playing fits nicely with Pires's thoughtful, unassertive keyboard command. In parts of the sonata literature – Prokofiev or Bartók, say – their refreshing lack of aggrandisement might have been less appropriate, but in a memorable programme of Brahms, Mozart and Beethoven at the Elizabeth Hall on Saturday the partnership was perfectly at home.

Dumay's silvery, intimate tone belies his large physical presence; he towered over Ms Pires, yet matched her feats of articulation – nimble, quick-witted figuration, eloquent bass lines – with his own serene command. His playing is finished in the best sense of the word: every phrase has a purpose, a beginning, middle and end, so that the first movement of Brahms D minor Violin Sonata could be built in a series of finely modelled curves, and the dovetailing of the instruments, tonal power exactly matched, was delight throughout the work.

In Mozart's B flat Violin Sonata K.378 Pires's supreme assurance led the way, and Dumay's willingness to be led, keeping his playing free from attention-seeking gestures and never over-egging his treatments of the melodies, was admirable. In the Kreutzer Sonata the situation was reversed, yet even here Dumay avoided unnecessary clamour. There was no stand-and-deliver virtuosity in the opening movement, just a marvellous interchange of ideas between the partners; a magical shaping of each variation in the second movement, and figuration of light-fingered delicacy in the finale from both players. None of it was underpowered; the sonata was perfectly poised between classical restraint and romantic impulsiveness.

The previous weekend Ms Pires had given a solo recital which affirmed the same sterling qualities in her playing, her fastidious attention to detail and imaginative control of phrase length and rubato. Her programme contained just a single miscalculation. It was a mistake, surely, to end a programme of sonatas by Beethoven and Mozart with Debussy's *Pour le Piano*, especially in a performance such as this which, for all the grave beauty of its Sarabande, couched the sonorities very much in mid 19th-century terms. It was as if Debussy were being filtered through the sensibility of Schumann and a tiny piece of that composer added as encore suggested that Pires would be fascinating in such repertory.

Everyone would surely have gone home satisfied after her versions of Beethoven's Op 31 no.2, its first movement a tantalising haze of atmospheric pedal and gradually clearing textures, and Op 109, with unaffected eloquence and a joyous outpouring of energy for the scherzo, together with Mozart's K.330 in C and K.333 in B flat. As in her recital with Dumay, Ms Pires's instinctive unfolding of Mozart was startling, just because of its faultless judgement; every element of her playing, its weight and range of colour, choice of tempi and dynamics, was faultless, and the product of musicianship of the very highest order.

Andrew Clements

Bach's B Minor Mass

SYMPHONY HALL BIRMINGHAM

The new Symphony Hall in Birmingham was designed with the valuable facility to modify its acoustics. The opening concerts, well received, were reserved for a full-size orchestra and, now that the echoes of those have died away, it seemed a good idea to go back and see what the hall would make of something quite different.

As well as providing a home for the City of Birmingham Symphony Orchestra, the hall will play host to visiting performers. On Friday it welcomed the Academy of Ancient Music under Christopher Hogwood, who gave Bach's B Minor Mass. There were just under 40 in the chorus, so this was not a performance which followed recent research in playing the Bach "choral" works one to a part; but the scale felt right for the size of the hall.

One of the most intriguing features in Symphony Hall's design is the large doors in the upper part of the auditorium, which lead to resonating chambers behind. They were almost all open for this concert, lengthening the reverberation time. From my seat the choral sound was given an attractive bloom, though it did seem strange that the choir should sound quite far away, when the soloists at the front of the stage were so immediate.

How far Hogwood had either the time or the opportunity to take all of this into account I do not know. The need to project the music to an audience of 2,000 (the hall was well filled) will clearly have ruled out the sort of intimacy that Joshua Rifkin and Andrew Parrott have brought to the Mass, when it is sung and played by a mere handful of performers. But Hogwood found a judicious balance between public and private emotions.

Incidentally, with a nod in the direction of Rifkin's findings, the "*Crucifixus*" was assigned to the solo voices - not a success in practice, as the quartet, led by Lynne Dawson's vibrant soprano, sang it very much as four soloists, dispelling the sense of inward concentration built up in the preceding movements.

Elsewhere the solo singing had much to recommend it. Dawson and Emma Kirkby made a nicely contrasted pair of sopranos. John Mark Ainsley sang an expressive "Benedictus"; and while neither the counter-tenor James Bowman nor the bass David Thomas enjoys an ideal ease of voice production these days, both know their way around the music. The Academy of Ancient Music Chorus for its part made light work of its duties.

Under Hogwood's direction the performance was fluent and dance-like, without the need to hit heavily down on first beats, as Leonhardt or Harnoncourt is apt to do: a sensible compromise, as in other areas. What, I wonder, would Bach have done with the B Minor Mass, if he had performed it in a venue as big and as splendid as Birmingham's Symphony Hall?

Richard Fairman

Getting Attention

ROYAL COURT THEATRE UPSTAIRS

If you are fed on a diet of the classics – as the London theatre critic now tends to be – it is possible that one approaches such new work as is around with unduly high standards. I doubt if I would have judged *The Philanthropist* so harshly the other day if I hadn't recently been seeing Shakespeare, Molière and Dryden.

On the other hand, perhaps we have been too kind to playwrights like Martin Crimp all along. It is hard to imagine a more excruciatingly awful piece than his *Getting Attention*, at the Royal Court Theatre Upstairs.

Crimp is a derivative of Harold Pinter: short sentences, punctuated by pauses, with violence in the background. There was something to be said for his *Dealing with Clair* which dealt with the sense of guilt of people trying to sell a house. I gave him the benefit of the doubt for his *No One Sees the Video* – about the alleged hypocrisy behind market research – at the Theatre Upstairs last November. And, to be fair, *Getting Attention* is not his latest work. Written in 1987, it has only begun to emerge on stage. It has the excuse of immaturity, and needs it.

The piece involves a social worker, though it is unclear whether it is an attack on the said worker's negligence or on society for requiring social workers in the first place. The action takes place in and around a block of council housing in south London. There is a lot of repetitive swearing and repressed sex. Possibly the piece is criticising the local council for insensitivity in housing allocation. Perhaps it is about childlessness and child sex abuse. Certainly a child is killed by its common law step-father who gives it a bath too hot ostensibly because he cannot bear the child being dirty. (Mercifully, that scene takes place off-stage). The neighbours look on. One of them has had his own children removed by a social worker. The social worker in the play, who seems a nice girl full of good intentions, does not press her inquiries to demanding to see the child.

In the back of my mind I have the impression that I read the story in the news pages of *The Guardian* some time ago. Nothing wrong with that. But this is meant to be a play. What, one may ask, are two white youths doing dressed as black monkeys at the start? Why does the common law step-father himself take to a monkey mask: a white one, as it happens? Why indeed anything? *Getting Attention* might just about make it as a quasi-documentary social case history on the small screen. Why anyone should be expected to pay to see it on stage is beyond me. It is directed by Jude Kelly.

Malcolm Rutherford

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

BARCELONA

Gran Teatre del Liceu 21.00 Eva Marton sings Tosca, with Sherrill Milnes as Scarpia, also Wed and Sun. Tomorrow: recital by *Kiri te Kanawa* (412 1466)

BERLIN

DANCE

Komische Oper 19.00 Tom Schilling's production of Cinderella, music by Prokofiev. The opera programme this week includes Der Freischütz tomorrow, The Bartered Bride on Wed and Giustino on Thurs (2292 555)

Deutsche Oper 19.30 Balanchine's Apollo, Carmen by Roland Petit, and Béjart's Firebird and Bolero. The opera programme this week includes Aida on Wed, Manon Lescaut on Thurs, Trovatore on Sat and Tristan und Isolde on Sun (3410 249)

MUSIC

Staatsoper unter den Linden 19.30 Madama Butterfly with Miriam Gauci in title role. Tomorrow and Wed: John Cranko's ballet The Taming of the Shrew. Thurs: La Traviata. Fri: Pelléas et Mélisande (2004 762)

Schauspielhaus 20.00 Klaus Tennstedt conducts Berlin Philharmonic Orchestra in Mahler's Sixth Symphony (2614 383). Thurs, Fri and Sat: Miltiades Caridis conducts Berlin Symphony Orchestra (2272 261). In Philharmonie Kammermusiksaal on Wed: world premiere of Kurtag's Grabstein für Stephan, followed by Giulini concerts on Thurs, Fri, Sat and Sun (2614 383)

THEATRE

The repertory at the Deutsches Theater includes two Ibsen plays, John Gabriel Borkman and Peer Gynt, plus Goldoni's The Servant of Two Masters (2871 225). The Volksbühne has plays by Sean O'Casey and Bulgakov (2082 748), and the Maxim Gorki Theater has plays by Feydeau and George Tabori (2082 783). In the western part of the city the Schaubühne is presenting Kleist's Amphytrion and Luc Bondy's production of The Winter's Tale (890023)

CHICAGO

Orchestra Hall 19.30 Symphony Chamber Soloists of Chicago play chamber music by Kodaly, Dohnanyi and Bartok. Thurs, Fri and Sat: Isaac Stern plays Beethoven's Violin Concerto (435 6666)

FRANKFURT

Opernhaus 19.30 Oleg Caetani conducts Un ballo in maschera, with Mara Zampieri as Amelia and Piero Cappuccilli as Renato, also Fri. Sat: new ballet by William Forsythe and Amanda Miller (236061)

Bockenheimer Depot 19.30 New production of The Cherry Orchard, daily performances till Sun (236061). At the English Theater Kaiserstrasse, Alan Ayckbourn's Absurd Person Singular is being performed daily except Mon (242 3160)

LONDON

MUSIC

Royal Festival Hall 19.30 Bernard Haitink conducts the London Philharmonic in Mahler's Seventh Symphony. Tomorrow: Julie Varady sings Abigaille in concert performance of Nabucco. Thurs: Montserrat Caballe. Fri: Charles Mackerras conducts LPO. Sun: Rozhdestvensky conducts Elgar, Britten and Prokofiev (928 8800)

Queen Elizabeth Hall 19.45 Tamas Vasary is conductor and soloist with Bournemouth Sinfonietta in Chopin's Second Piano Concerto and the Fourth Symphonies of Honegger and Mendelssohn. Tomorrow: Maurice Hasson plays Mendelssohn's Violin Concerto with English Classical Players. Wed: Fischer-Dieskau sings Schubert. Thurs: English Baroque Choir and Orchestra in Mozart programme. Fri: Hariprasad Chaurasia plays Indian flute music (928 8800)

THEATRE

The National is staging Long Day's Journey Into Night by Eugene O'Neill. The play, often seen as an examination of O'Neill's own extraordinary family life, opens tomorrow at the Lyttelton in a production by Howard Davies. Alan Bennett's stage adaptation of The Wind in the Willows, directed by Nicholas Hytner, can be seen in the Olivier tonight and tomorrow, followed later in the week by Steven Pimlott's new production of Molière's The Miser. The Cottesloe repertory includes Alan Ayckbourn's play for all the family Invisible Friends and Christopher Hampton's new play White Chameleon. For information about other shows, call Theatreline from anywhere in UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MADRID

Teatro Lirico La Zarzuela 20.00 Rafael Fruhbeck de Burgos conducts Hugo de Ana's new production of Otello, with cast led by Placido Domingo, Daniella Dessi and Justino Diaz. Also Thurs and Sat (429 8225). Tomorrow in Auditorio Nacional de Musica: concert by Spanish National Chorus. Sat: recital by Lucia Popp (337 0100)

NEW YORK

DANCE

Metropolitan Opera 20.00 American Ballet Theatre production of La Bayadère, also tomorrow, Wed and Thurs. Fri and Sat: triple bill including Kenneth MacMillan's Concerto (362 6000). Also City Ballet season at the New York State Theater, Tues to Sun (870 5570)

THEATRE

The Secret Garden is a musical based on the Frances Hodgson Burnett novel about an orphan who goes to live with her uncle on the moors, and discovers a magic garden where anything can happen. Book and lyrics by Marsha Norman, music by Lucy Simon, directed by Susan Schulman (Tues to Sat at St James Theater). The Will Rogers Follies is a musical directed and choreographed with customary flair by Tommy Tune, with Keith Carradine as an accomplished leading man (Mon to Sat at the Palace). Also on Broadway: Larry Gelbart's musical thriller City of Angels, Paul Rudnick's comedy I Hate Hamlet and Andrew Lloyd Webber's musical The Phantom of the Opera. Ticketron (246 0102) answers inquiries and sells tickets

PARIS

MUSIC AND DANCE

This week's events include a new production of Die Entführung aus dem Serail opening on Thurs at the Châtelet, conducted by John Eliot Gardiner (4028 2840); at the Bastille, a concert on Wed conducted by Marek Janowski and a new staging of Samson et Dalila opening on Fri (4001 1616); the Monnaie Dance Group choreographed by Mark Morris is at the Théâtre des Champs-Elysées from tomorrow till Sat (4720 3637); and there are concerts by the Orchestre de Paris at the Salle Pleyel on Thurs, Fri and Sat featuring Radu Lupu as piano soloist (4563 0796). The Théâtre de la Ville is hosting a programme of Japanese dance from tomorrow will Sat (4274 2277)

THEATRE

The repertory at the Comédie Française includes Jacques Lasalle's production of Marivaux's comedy La Fausse Suivante, Beaumarchais' Le Barbier de Seville and Strindberg's The Father (4366 4360). Feydeau's one-act farce On purge bébé is playing at the Théâtre des Bouffes du Nord (4607 3450) and the Odeon-Théâtre de l'Europe has Jean Genet's Le Balcon directed by Lluis Pasqual (4325 8092)

VIENNA

MUSIC

Theater an der Wien 19.00 Claudio Abbado conducts Jonathan Miller's Vienna Festival production of Le nozze di Figaro with cast led by Ruggero Raimondi, Marie McLaughlin and Cheryl Studer. Last performance on Wed (586 1676)

Staatsoper 19.00 Ivan Fischer conducts Die Entführung aus dem Serail, also Thurs. Tomorrow: Die Zauberflöte. Wed, Fri and Sun: Lucio Silla. Sat: Idomeneo (51444 2960)

Konzerthaus 19.30 Mieczslaw Horszowski plays piano music by Bach, Mozart and Beethoven. Tomorrow: song recital by Robert Holl. Wed: Herbert Bock conducts Julius Bittner's Great Mass. Thurs and Fri: Arditti Quartet. (7124 6860)

THEATRE

The repertory at the Burgtheater includes Goethe's Clevigo and Ibsen's An Enemy of the People, both directed by Claus Peymann (51444 2218). The Vienna Festival's guest productions this week include Gunter Kramer's Cologne production of Odon von Horvath's Der Jungste Tag at the Volkstheater till Thurs, and Peter Brook's French-language production of The Tempest at the Messepalast from Wed till Sun (586 1676)

ZURICH

Opernhaus 19.30 Carlos Kalmar conducts Die Zauberflöte, with Gösta Winbergh as Tamino, also Wed. No performance tomorrow. (251 0909)

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Monday May 20 1991

Judging the Labour party

THE LABOUR party has travelled a long way from the "longest suicide note in history", the apt description of its election manifesto of 1983. But has the party abandoned the reactionary syndicalism of Arthur Scargill, the rainbow coalitions of Ken Livingstone and the romantic socialism of Michael Foot, to return to the dirigisme of the 1960s?

Since Labour could be in power within a few months, the question is evidently important. It will be addressed in the coming weeks.

The focus of our analysis will not be on personalities; nor will it be on comparisons with other parties. It will be on what Labour has to say on certain decisive issues: the economy and taxation, education and training, health and social security, industry, labour relations and the labour market, foreign policy and constitutional reform.

A series of core questions arises: does Labour offer a fundamental change and, if so, with what justification? Can Labour's policies be financed? Are its objectives politically plausible, given the party's links with and sympathies for various interest groups? Does Labour plan to take advantage of the market or, rhetoric notwithstanding, to override it?

But behind the detail lie deeper questions. A healthy political system requires a consensus on the underpinnings of economic prosperity, individual liberty and constitutional order. Is the Labour party part of such a consensus, or not? Is the party committed to freedom of choice for consumers within competitive, albeit imperfect markets or does it still believe that the man from the quango knows better? Does it recognise the limitations of government, as well as its capacities?

Has it, in short, absorbed the lessons of what has happened during the 1980s, worldwide and not just in the UK? Does it offer a government that will build on the successes, while remedying the failures, of the 1980s? Is it ready to move Britain forward, or is it merely crying for a better past?

Labour and the economy

ELECTIONS ARE, above all, about the economy. The issue most likely to decide the general election is, therefore, neither the government's poll tax fiasco, nor the UK's relationship with Europe, nor that most sacred of all cows, the National Health Service; it is whether the Labour party can convince the electorate that it will manage the economy better – or at least no worse than – the Conservatives. It has a good chance of so doing. A fundamental question, however, is whether it deserves to do so on its own merits.

According to Treasury forecasts, the economy will have grown at only slightly over 1 per cent a year between 1987 and this year. In June 1987 unemployment was 2.9m and falling; it will not be far below that level at the end of 1991 and rising. The price level – the government's "judge and jury" – will have risen by a third between June 1987 and the end of this year. If Labour cannot win now, when will it be able to?

Labour can claim that it warned of the unchecked credit expansion of 1987 and 1988. It can complain about the high rates of interest that it must know have been necessary. And it has a good chance of inheriting a public sector whose finances are in reasonable health and an economy whose excessive expansion the Conservatives created. But this time – unlike in the 1960s and 1970s – the Conservatives themselves have, to their credit, done their best to undo the damage. For once, the Labour party would not have to clean up the aftermath of a Tory "dash for growth".

Consequently, the Labour party's assumption of 2½ per cent growth over the coming electoral term is conservative. Under plausible assumptions, the economy's recovery alone ought to allow growth of about 1 per cent a year for five years.

Nor can the Labour party's macroeconomic intentions be judged wild. With its commitment to disinflation, its abandonment of fiscal fine-tuning, its devotion to ERM membership and its desire for credit management, the Labour party looks a convincing exponent of the hair-shirt school of modern European socialism.

Defensible plans

The party's plans for public spending and taxation are also defensible. "The results of economic growth – the growth dividend – will," it asserts, "provide new resources for public investment ... We will not spend, nor will we promise to spend, more than Britain can afford."

Labour promises to introduce a lower starting rate of income tax and a top rate of 50 per cent, while abolishing the upper earnings limit on national insurance contributions (and extending them to "unearned" income), so giving an effective top rate of 59 per cent. The money so raised is "to restore the real value of child benefit to its April 1987 level and to increase the basic state pension by £5 and £8 a week in real terms".

Beyond this, Labour relies on increased public borrowing (for what it deems investment) and the covert increase in taxation known as "real fiscal drag" (the consequence of the growth of real incomes in a fiscal system whose marginal rates are above average rates). There will be no tax cuts.

Mr Kinnock has stated that "over the lifetime of a parliament, maintaining the real value of tax allowances and keeping tax rates where they are, an average growth in the economy of 2½ per cent will generate £20bn of revenue to the exchequer". This sentence may be Delphic, but – according to an analysis by Gavyn Davies and David Walton of Goldman Sachs – there could be £40bn more revenue in today's money after five years.

If the Labour party were to introduce its tax reforms and not eliminate the public sector borrowing requirement, it might, indeed, have about £20bn in extra spending in the last year of an electoral term in today's prices (over what it might be under the Conservatives). As a share of GDP, public spending would then be about 42½ per cent of Gross Domestic Product, 2 percentage points more than now.

Aggrieved clamour

The share of public spending in GDP would, however, only be back to where it was in 1987-88, under what Labour condemned as the outrageously stingy Margaret Thatcher. Since the Labour party has also stated that "on coming to office we will halt the deterioration [in public sector pay] and ensure that [it] is kept broadly comparable with equivalent pay movements elsewhere", the additional spending would not go far. One would be much more likely to notice the clamour of aggrieved interest groups than an improvement in public services.

Modest attempts to raise the share of public spending in gdp are perfectly defensible (despite worries about increased government borrowing in a country with low savings), though it is not obvious that the rate of increase should be dictated by real fiscal drag. A top marginal rate of tax of 60 per cent is on the high side, but is unlikely to prove ruinous. Yet the notion that a tax system with many marginal rates is better than one with a higher threshold and just a few marginal rates is wrong. The latter system would be simpler and could easily be more progressive.

The big question-mark is not so much against Labour's macroeconomic strategy, nor against its fiscal plans, it is against the Labour party's attitudes to choice and competition. If Labour now believes in anything passionately (apart from in getting elected) it is in the capacity of quangos to remedy the market failures it sees everywhere. Meanwhile, some of the government's genuine, if partial, moves towards greater competition are to be throttled.

Among the more important are privatisation, which has brought substantial improvement to the major utilities and could bring still more, if competition were to be enhanced; the contracting out of public services; and the introduction of the internal market into the health service. All of these reforms increase pressure on producers; many have increased the influence of individual consumers as well. The Labour party is unhappy about them all and will reverse many.

Labour, in short, promises to be nanny. There would be more regulation of economic life; there would be more government intervention; there would be less competition in the public sector; and there would be quangoes everywhere. But nanny does at least promise to be prudent.

As Indian voters go to the polls from today, **David Housego** considers the economic challenges confronting the new government

No clear sense of direction

As India's 514m voters go to the polls this week in scorching summer heat, they seem set to produce a new parliament whose composition will be an unfortunate – but fairly faithful – reflection of a country torn by conflicts of religion, caste and region.

Faced with a critical foreign exchange shortage and the risk of defaulting on its foreign debt, India needs a strong and stable government that could take tough decisions: in particular a reform package needed to improve the competitiveness of the economy. It is most unlikely to get one. Instead, this week's polling – taking place on three separate days between today and Sunday – is likely to produce a parliament in which no party has a clear majority and from which a coalition government will be difficult to form.

The ethnic and religious conflicts wracking India are such that this week's elections will not be complete. Elections for Punjab and Assam have been postponed until June because of separatist violence. In Kashmir there will be no voting because of the scale of violence in that state's campaign for independence from Delhi.

Even in the rest of the country, the poll is likely to be inconclusive. Within the main political camps, the expectation is that both Mr Rajiv Gandhi's Congress party and the Hindu revivalist Bharatiya Janata party (BJP) will emerge with roughly the same number of seats: between 150 and 200 each out of the 510 being contested. Marg, the most respected of the Indian polling institutes, forecasts that Congress will win 233 seats. The National Front alliance of former Prime Minister V P Singh – which includes his own Janata Dal party and various regional parties – seems likely to trail a poor third.

If economic problems have overshadowed the election, economic issues have barely figured in the campaign

If the new parliament is split on these lines, two main possibilities emerge. In the more likely event that Congress retains its position as the largest party, it could try and form a coalition with the National Front or with the Communists, who themselves are likely to obtain about 50 seats. Mr Gandhi might remain leader of the Congress in the event of such an alliance, or he might be dumped. His own preference would be for a tie-up with the communists because of a personal conflict with Mr V P Singh, who led the campaign to overthrow Mr Gandhi as prime minister in the last election in 1989. But an alliance with the communists is difficult because of their objection to the budget cuts and market-oriented economic measures that the International Monetary Fund will demand.

The other main alternative is that if the BJP did unexpectedly become the largest party, it would seek defections from the Congress. Though Congress remains committed to the concept of a secular state as preserving harmony between Hindus and Moslems, a good many of its members sympathise with the Hindu revivalist cause.

Between these two possibilities there are is a multiplicity of variations. Many in Congress think that the party should not participate in a government which did not have the authority to take decisions. The by-no-means unrealistic hope of Mr Chandra Shekhar, the caretaker prime minister whose government fell two months ago, is that a hung parliament will give him a second bite at power as a compromise candidate for the premiership. But any such coalition arrangements would be inherently unstable – continuously vulnerable to the pressure of small parties, of regional groups and of factions within the main parties whose leverage will grow in such a situation.

More important, the surge in strength of the BJP will make the Hindu revivalist party anxious to consolidate its advance through a fresh election. Senior party leaders concede that the party's strategy – if it remained in opposition – would be to undermine any administration with a view to provoking fresh polls as soon as possible. In these circumstances it remains an open question how far a new administration will be able to push down the path of economic reform. The common assumption in Delhi is that whatever government is in power will accept substantial cuts in the budget deficit.

Mr Yaswant Sinha, the interim finance minister, had set a target of reducing the deficit from 9 per cent of Gross Domestic Product in 1990-1991 to 6.5 per in the current financial year. This was incorporated in the budget which he was to have presented in February but which was postponed. The target will now be more difficult to achieve because the purse strings have been loosened during the election campaign.

But a new government can scarcely backtrack on it – whatever the howls of protest over cutting subsidies – without further undermining India's credibility with the IMF. A new budget presented to parliament that fulfils this target should thus release a further loan – possibly $2bn – from the IMF. For India to obtain the $5bn-$7bn that it needs from the IMF and the World Bank to give it elbow room in managing its balance of payments, it would have to negotiate a big structural adjustment programme with the multilateral institutions.

It is at this point that it becomes hard to see how a weak administration will take the r..k of launching significant changes – including industrial deregulation, labour market reform that allows companies to shed jobs, cuts in protective tariffs, a relaxation of controls on the financial sector, a more open policy towards foreign investment – that still face resistance from powerful lobbies.

The multilateral institutions, are insisting that macroeconomic stabilisation must be linked to a comprehensive package of reform that will improve the competitiveness of the economy and thus generate the exports needed to repay India's huge foreign debt. They feel that tinkering with the still tightly regulated Indian economy is no longer enough.

Without a substantial inflow of multilateral and donor funds, India faces a large shortfall in financing its current account deficit. This reached $10bn (on World Bank definitions of the current account) in 1990-91 and – even with the draconian curbs on imports now in force – is likely to be $6bn this year.

India no longer has a cushion to fall back on. Its foreign exchange reserves have run out. The sharp decline in India's creditworthiness abroad has closed the door to fresh commercial borrowing. US banks revealed their nervousness last month by reducing the outstanding short-term credit facilities they maintain with Indian banks by $1bn from $3.2bn.

In balance of payments terms India is thus still skating on thin ice. Postponing hard choices would carry the risk of financial crisis or, equally bleak, of savage retrenchment in government spending and imports – in effect a retreat into a siege economy.

If economic problems have overshadowed the election, economic issues have barely figured in the campaign. This has been dominated by the phenomenal advance of the BJP, which from being a minority movement in Indian politics only two years ago is in sight of replacing the Congress as the main political party. If this occurs it will mark a big turning point in post-independence politics.

The BJP has set the agenda of the campaign by an appeal to "national resurgence" and Hindu unity that has struck a chord because of disillusionment with the other major parties and a growing impatience with the country's 100m Moslem minority.

The Hindu revivalist party has cleverly projected the proposed new temple to Lord Ram, the Hindu deity, that it wants to construct at Ayodhya on the disputed site of a mosque as a symbol of Hindu unity and national rebirth. It is also a symbol of a confrontation with Islam that understandably leaves many Indian Moslems scared of a threat to their religious and cultural identity.

Going to the polls: Chandra Shekhar, L K Advani, V P Singh, Rajiv Gandhi

With the help of the militant Hindu Rashtriya Swayamsevak Sangh (RSS), its parent organisation, it has been way ahead of other parties in terms of organisation. North India has seemed draped in a sea of saffron flags – the Hindu colour. Party workers have even stamped "Jai Shri Ram" (Victory to Ram) – the slogan of the movement – on banknotes.

Mr L K Advani, the party leader, has been able both to stir the enthusiasm of crowds and carry conviction as a potential prime minister. This has been an important factor in helping the BJP to win middle-class support among businessmen, officials, retired army officers and even film stars. Such adherents have given it both social and intellectual respectability.

For Mr Gandhi, this was a campaign that began with high hopes. He believed that Congress, which held 197 seats in the last parliament, could return with an absolute majority in the new one. He has established a directness of contact with crowds that he lacked in the last election.

But this campaign has also shown his limitations. He remains a poor organiser, unable to delegate responsibility in a way that avoids confusion and creates trust. His choice of candidates – often displacing Brahmins with powerful local connections and other established local figures – has exacerbated divisions, with the risk that in parts of Uttar Pradesh, Madhya Pradesh and Rajasthan those disaffected will work against the party.

In failing to establish political stability – the theme on which Congress based its campaign – as the chief issue, he lost the initiative to Mr Advani. He has not been able to fire the enthusiasm of crowds as spectacularly as Mr Advani or as some of the extremist preachers that have followed in his trail.

Of the three large political formations, the main loser in the campaign is likely to be Mr Singh's Janata Dal. This has been partly a result of Mr Singh's wayward leadership which has allowed splits to deepen. Just as important, his platform of rallying the poor on a programme of job reservation in central government has failed to strike the same chords as the BJP's appeal to Hindu unity. Caste divisions do not seem to have stirred such deep emotions as religious ones.

The best that can be said for the campaign is that the seriousness of India's problems has thrown up a readiness to look at fresh ideas and to throw away old shibboleths. Mr Chandra Shekhar launched his campaign with a proposal for the redrawing of boundaries to create smaller states (Uttar Pradesh alone has a population of 111m) and for greater devolution of powers to state governments. Mr Advani has said he would favour a switch to a presidential system of government as a way of giving government more authority to affect change.

There has been a growing consensus within the parties on the need for budget stringency and further liberalisation. The Congress manifesto even proposed partial privatisation and the involvement of the private sector in infrastructure projects – road building and power generation – in which the state still has a virtual monopoly. But all the parties have worked on the assumption that they would need a clear majority to implement change.

Some people believe that India is being overwhelmed by the scale of its problems and that the conflicts of caste, religion, and region reflect the intensifying pressures of a growing population on scarce resources. The more optimistic think that the inefficiencies of such a highly-regulated economy are so great that even small improvements will yield large returns in increased productivity and thus higher economic growth.

Both views contain a large measure of truth. But what is clear is that India needs a stable government and effective leadership to confront the challenges and seize the opportunities on offer.

OBSERVER

Book loss

■ The Soviet Union has just provided further evidence that, however good Britain's accountants may be at assessing business opportunities, they are not very adept at seizing them.

While having comparatively few lawyers, the UK has an unrivalled density of qualified accountants of various sorts. A check three years ago showed there to be one for about every 425 men, women and children in the population. The US position is the other way round, with one lawyer for every 418 of the populace but accountants thin on the ground.

Nevertheless it is a US accountancy textbook that's been sold to the Soviets as an aid to running their businesses in capitalist ways. Called Principles of Accounting, it has 1,300 pages and is about to be translated into Russian despite that language's lack of terms for "profit margin" and such.

Some 320,000 Soviet students are expected to begin using it by next year. Main author Belverd Needles, a professor at DePaul University in Chicago, is happily looking forward to the Russian edition outselling the American.

"There's no competition there," he explains.

Fallen star

■ Japan is slowly coming to terms with the retirement of its most famous sumo wrestler Chiyonofuji, after two unexpected losses. Known as "the wolf", he made muscles fashionable in sumo, which had hitherto resisted the bodybuilding art – except for the cultivation of enormous bellies.

At a relatively puny 127kg, he faced opponents of up to 238kg, using a combination of sculptured physique and astonishing guile to defeat them. He won more bouts (1,045) than any wrestler in the sport's annals, and his 31 tournament wins fell but one short of the record of the master, Taiho.

Although some Japanese read parables of social change into Chiyonofuji's departure, his explanation was simply that his time had come. He did feel a twinge of regret, though, when watching the other wrestlers having their hair set for competition.

The star timed his disappearance skilfully. Last week he lost a much-touted bout with Takahanada, 18-year-old pin-up boy of the moment, and son of wrestler Takanohana who almost exactly 20 years ago beat all-time champion Taiho, who retired a day later.

That Takanohana's son should have finally brought down the great Chiyonofuji is some consolation for the wolf's going. If there's one thing Japanese enjoy more than sumo, it's history.

Over the top

■ Those sticklers for accuracy at Her Majesty's Stationery Office have dented their reputation with an error in a publication devoted, ironically, to the quality of British manufacturing.

For weeks Richard Morel, owner of a tiny Sevenoaks-based producer of control components, has been puzzled by callers wanting to buy 35-ton flat tops. "I understand they're some four-wheeled railway thingy," he says.

The explanation turns out to lie in the said publication – the trade and industry department's £125 Quality Assurance Register for 1991, compiled by HMSO – which names R.W.Morel as a rolling-stock producer. "It's like being called an ironmonger rather than a watchmaker," snorts the owner.

The register is used as a reference book by government spending departments and overseas purchasers, and Morel says the error has lost the company business. "This is one of the results of computerisation, and the cuts," he adds.

A contrite HMSO has now accepted full responsibility for the error, and is reviewing its systems. The error will be corrected in a regular supplement in August.

While mollified, Morel draws the line at buying a copy of the offending register. "My 1989 issue will have to suffice."

"In space, no one can hear you lie."

Customer power

■ The decision of London's St Paul's Cathedral to experiment with admission charges recalls a talk Observer had some years ago with the then treasurer of Wells Cathedral, who had previously worked as a management consultant. The topic was how the cathedral could pull in more money to meet its vast upkeep costs.

My own suggestion centred on the sung services which, despite including some of the best choral singing to be heard anywhere, usually had a congregation less than half the size of the choir even though dozens of tourists were mooching around elsewhere.

"Have you thought of charging for admission?" I asked. "My guess is that, if you did, your services would attract a lot more people."

"Yes we have, and we're inclined to agree," the treasurer said. "But we don't do them for people, you see."

Empty chair

■ It's not just a question of where, but of who. Northern Ireland's politicians have spent days arguing about the venue for their talks with southern counterparts. Now they can't agree on who should chair the event.

To help them, radio listeners in Ulster have come up with nominations including Colonel Gadafy, doomsday prophet David Icke, and former French Prime Minister Michel Rocard – "He may not understand English, which would be a distinct advantage," one listener said.

But top of the poll was Conor Cruise O'Brien, erstwhile Irish cabinet minister and now outspoken media pundit. Listeners said the "Cruiser's" views might be eccentric, but at least he'd ensure a bit of straight talking.

Just the facts

■ UK Prime Minister John Major made more than a little local error when, in referring to an alleged "unholy alliance" between the Labour Party and the National Health Service lobby, he cited the "diaries of Nye Bevan" – who, in fact, wrote none.

The memory of the late Labour health minister carries a sting for all politicians who publish diaries of their days in power. When Bevan was asked why he'd decided against doing so, he said: "I prefer my fiction straight."

Off-the-shelf citizenship

Ivo Dawnay on the political football being kicked around by all three main UK parties

Archimedes had his bath, Newton had his apple, and Mr Graham Mather had his unconnected telephone. From such mundane beginnings are revolutions born.

If doubts persist as to whether Mr John Major's concept of a Citizen's Charter can live up to its packaging as "The Theme for the 90s", that conclusion was at least endorsed by Labour, which last week produced nine pages of counter-claims to authorship. Intellectual copyright rows aside, all three main parties have settled on "citizenship" as the modish political flavour for the decade, though they arrived there from different directions.

For the Tories, as good a starting point as any is Mr Mather's telephone. In 1987, when recently privatised British Telecom was having problems in meeting demand with supply, Mr Mather needed a phone line. He was instantly despatched to the back of a 1,000-strong central London waiting list.

Being the general director of the Institute of Economic Affairs – the market-oriented think-tank – Mr Mather did not merely write a gruff letter to The Times; he wrote a "think piece", entitled "Calling Telecom to Account".

His argument was simple: quasi-monopolies needed a contractual relationship with their customers to allow for redress and compensation whether in kind or in cash. As local and central government also supply services – whether rubbish collection or complex advice to exporters – they, too, should have to offer something similar.

With privatised industries already equipped with consumer watchdogs in the form of regulators, both state industry and the Civil Service could and should be forced to "mimic the market" by taking on targets and obligations. British Rail, for example, might be required to compensate inconvenienced passengers on late trains by giving them vouchers to travel free on off-peak services.

More radical still, health service patients might have the right to seek treatment in the private sector, at the expense of their local health authority, if waiting lists grew too long.

By introducing such "rights" – clearly defined in quantity and quality targets for service provision – market disciplines could penetrate the darkest corners of the public sector, in tune with the new initiatives to introduce private-sector management systems into the Civil Service.

But why is this a Citizen's Charter? The answer is largely that by enforcing quality and creating mechanisms for effective redress for poor service, the individual taxpayer is at last being treated as the master not the plaintiff of the civil servants whose salaries his taxes pay.

This strategy, defined as "empowerment" by the Adam Smith Institute, another leading right-wing think-tank, forms the intellectual bedrock of the concept of "citizenship", that Mr Major presented under the slogan of "Power to the People" in Southport in March.

For Labour, the very use of that left-wing slogan was further proof that its own home-grown "citizens" programme had been hijacked. With some justice the party has pointed to a speech by its leader, Mr Neil Kinnock, emphasising the need to set clear and published targets and standards for local authorities made as far back as 1986.

But Labour's programme appears to have grown from the grassroots with experimental schemes at council level. Today, Labour has a whole architecture of policy on quality service provision based, like that of the Tories, on targets and guarantees for users.

In London's Islington borough council, for example, swimmers can demand and get vouchers for the free use of municipal pools if such items as water temperatures or standards of cleanliness fail to meet pre-stated guarantees. Elsewhere, the council's citizen-oriented planners have introduce neighbourhood council offices, ensuring that housing or social services problems are, almost literally, dealt with on the doorstep.

Ms Margaret Hodge, leader of Islington council, explains, however, that the origins of the policy were removed from those of the Tories' post-privatisation agenda. It stemmed from a growing perception among Labour activists that: "Poorly managed services are theft from the working class."

The view that council services were overly tilted towards producer interests – in local government terms, unions and administrators – encouraged a new approach to satisfying consumers' needs involving what Ms Hodge describes as a "massive cultural change", not least for the unions, some of which have proved resistant.

Dismissing the Tory "citizen" as "only interested in things that cost you less", she argues that Labour's emphasis in Islington has been a fundamental shift away from its historic links with the union/producers to the public at large.

But this new-found concern for the consumer does not convince the right. Dr Madsen Pirie, president of the Adam Smith Institute, contests that it is a legacy of Labourism that has, for example, created a Post Office that drops Sunday collections in the interests, not of users, but employees. "If there were state-owned restaurants, they would close for lunch to allow the staff to eat," he contemptuously asserts.

None the less, despite the two main parties' different points of departure, there can be little argument that both are actively championing only mildly varying concepts of citizenship.

To Mr Paddy Ashdown, the Liberal Democrats' leader, citizen power is "a far more important idea than contract cleaning in York". In his 1988 political tract, Citizens' Britain, Mr Ashdown insists the concept is all about participatory democracy in which government uses its powers to promote citizens' involvement in government.

This should involve everything from worker representation on company boards to, inevitably, electoral reform – a principle that says every vote should count. Probably, the Liberal Democrats, with their tradition of seeing the citizen as the classless alternative to Labour's "worker" or the Tories' "taxpayer", are most deserving in their claim to be the original advocates of citizens' democracy. But their vision is far from that of their rivals.

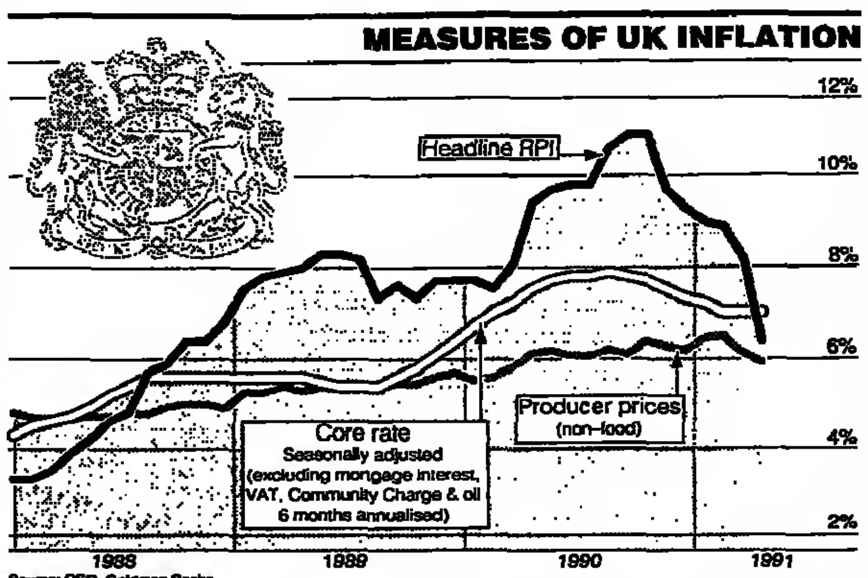
All this raises interesting questions about the new trends in the evolution of party policy. Indeed, the customers' contracts idea can arguably be traced, not to politicians at all, but to the Inland Revenue, which published a Taxpayer's Charter of rights in July 1986.

But it is only when a political vacuum is reached – the end of the privatisation road, for example, or the cul de sac of hard-left militancy – that the politicians will go shopping in what Dr Pirie describes as the "supermarket of ideas".

So fiercely competitive is the marketplace, however, it is hardly surprising that, ideological flavour apart, both main parties should emerge with similar versions of the same well-advertised product that has lain so long ignored on the shelves.

Samuel Brittan

Red-Blacks strike again



Source: CSO, Goldman Sachs

As a cub journalist I learned that I could always gain attention by saying that there was a difference of opinion between the Treasury and the Bank of England. Many commentators have been following this rule with a vengeance over the past 10 days. But they have not chosen the best occasion. Such differences as there have been between the governor of the Bank of England, Mr Robin Leigh-Pemberton and the chancellor, Mr Norman Lamont, have been on relatively trivial matters, eg: on which day of the week to announce a base-rate change. There has been harmony on the priority to be given to getting on top of inflation.

The real differences have been between both Treasury and Bank on the one side, and nervous backbenchers – who want to buy the next election with cheap money – on the other. They have been egged on by the now familiar Red-Black coalition of unreconstructed left-wing Keynesians and what one MP has called anarcho-monetarists, who have forgotten their own teachings about not being able to spend one's way into prosperity.

The present fit of jitters began with a lecture by Mr Leigh-Pemberton as visiting professor at Exeter, which was almost a teenager's guide to the distortions of the Retail Prices Index. His object, of course, was to deflect populist knee-jerk reactions to the sharp drop which was obviously coming in the headline RPI for April due to the dropping out of last year's poll tax induced increases.

In one respect he went further. The normal RPI, even when some distortions have been removed, is not seasonally adjusted. Comparisons therefore are always with a year ago, which may hide important recent trends. The governor therefore alluded to more sophisticated statistical techniques. One piece of research did apparently suggest that the underlying rate of inflation had recently become stuck. But the Bank's more considered view, expressed in the May Bulletin, is that the underlying rate has been very gradually falling, but by nothing like as fast as the headline rate.

The danger of all this shadow-boxing is that base-rate cuts may indeed be unduly delayed, despite sterling's reasonably strong position in the ERM, by the need to show that neither the Bank nor the Treasury is running away under political pressure. The congenital mistake of the Bank – apparent for instance in the mid-1980s – has been to worry about interest rates and exchange rates falling *too fast* when it should have been worrying about them falling *too far*.

If anything, the instant commentators have been over-optimistic on the real economy. The industrial production index has been distorted upwards by the recovery of oil and is in any case not sensitive enough to pick up month-to-month changes. In the first quarter of 1991 manufacturing output was still falling at an annualised rate of more than 4 per cent; and the best one can say is that it is falling less steeply than in the second half of 1990. Unemployment, even on a six-monthly average has been rising by nearly 1m a year; and it is not much comfort to those who lose their jobs to know that it is a lagging indicator.

Monetary policy cannot be a substitute for labour market reform. But it does have a role which the governor explained most fully in a subsequent speech in Frankfurt. He did not say that it should be concerned only with stable prices, but that "it should not attempt to deliver a target path for *real output*". "The objective should be to provide stable prices and the basis for a steady growth of nominal income (or nominal gross domestic product) that is consistent with underlying productive potential."

Unfortunately, measurement problems bedevil nominal GDP as well as inflation. The usual measure is just as distorted as the RPI both by the poll tax and by VAT. The version which best gets round this difficulty is known by the ungainly name of "nominal GDP at factor cost". Non-specialist readers might take my word for this; but they could ask why more effort is not made to assess its trend. Private estimates suggest that it may now be rising by a shade less than 5 per cent a year, which is below what is required for non-inflationary growth, thus providing some headroom for relaxation.

* * *

There is of course no one correct way of measuring underlying inflation – which does not mean that we should be satisfied with a headline rate, any more than a doctor should assess a patient by minute-to-minute changes in his pulse. For clarity, I have concentrated in this Teenagers' Guide on just three rates: the head line one, a seasonally-adjusted core rate calculated by Goldman Sachs, and the official non-food producers' price index.

The Treasury has been embarrassed because its previous measure of underlying inflation, which excluded both poll tax and mortgage interest, now shows a large increase. It would prefer to take out interest payments alone from the index. Although the results are quite plausible, they look too much like special pleading.

I have preferred to take the Goldman Sachs underlying index which consistently excludes the poll tax, mortgage interest payments, VAT and petrol prices alike. The version on the chart is a seasonally adjusted six months comparison expressed at an annual rate. This peaked at 7.9 per cent last August and has now fallen to 7.0 per cent.

The problem, however, with any measure based on the Retail Prices Index is that, even when adjusted, it is – like unemployment – a lagging indicator and thus a poor guide to inflationary pressures. Producer prices come through at a much earlier stage. But there have been the usual statistical quirks.

A much better picture is given by non-food producer prices. They may be biased downwards because of the exclusion of services, and biased upwards because of the use of list rather than actual prices. But they have given a good indication of trends. The annual increase peaked at 6.5 per cent in February and has now fallen to 5.7 per cent; and Confederation of British Industry survey evidence suggests that it is now poised to fall rapidly. Even earnings' increases, which are notoriously slow to adjust, have dropped back in manufacturing from 9¼ per cent in December to 8¾ per cent on March.

All this might strengthen the case for some easing. Unfortunately the effect of the Red-Black coalition is, as it was last winter, to delay the easing of policy for which it is clamouring.

LETTERS

Realities of directors' pay

From R T Addis.

Sir, Those who are currently castigating directors for awarding themselves large increases in remuneration while their companies' results are in decline are being grossly unfair.

What they fail to realise is that the figures on which they base their complaints are those taken from a company's annual report and show the compensation paid to directors in the previous year. Almost invariably the figures include a substantial element of performance-related pay which is calculated on results in the year before that reported upon.

A company, therefore, which publishes its report for the year to, say, April 1 1991, will show details of directors' pay based significantly on results during the financial year 1989-90 when times were a good deal better.

I think it is time someone spoke up for those who, in exceedingly difficult circumstances, are bearing responsibility for keeping their companies in business and working in the best interests of their employees and shareholders.

Many directors, particularly in the beleaguered financial services sector, are taking no basic salary increases this year whatever. The effect of declining company performance will reduce their bonus entitlement and the evidence of all this will become apparent in their reports published next year.

Let those who complain, please, make sure of their facts before rushing into print.

R T Addis,
Tyzack & Partners,
10 Hallam Street, W1

'Genuine choices' in the distribution of GDP

From Mr Alister Sutherland.

Sir, Samuel Brittan asks (Economic Viewpoint, May 16): "Does one have to be a fanatical individualist or blind to the existence of public goods to believe that the present 40 per cent share of GDP taken up by public spending is enough, and that improvements in services should come from a better use of the existing share of a growing GDP?"

The answers might include:

1. GDP is carefully defined so as not to include transfer payments. That is because payments on, for example, pensions, unemployment pay, child benefit and other cash grants, *redistribute* GDP; they do not "take it up" or absorb it (though they have to be financed). Nearly half of public spending does consist of such transfer payments. Only the public spending on final goods and services, and on investment, is defined in the same units as GDP. That spending, for 1990-91, is about 23 per cent of GDP, not the 40 per cent "share" so regularly misused by those who wish us to forget the definitions of the concepts they are using.

2. Value judgments about how much redistribution of GDP one would like to see, and about future levels of income taxation, even in a growing economy, might be influenced by what is said by the Central Statistical Office in the March Economic Trends. For the period 1977 to 1988, and so omitting, for example, the effects of removing tax rates above 40 per cent, the CSO reports: "The main conclusion is that the distribution of household income has become more unequal over the eleven years. The bottom quintile group's share of total disposable income fell over the period from 9.7 to 7.6 per cent, whilst the share of the top quintile group rose from 36 to 42 per cent." The same source shows that payments of income tax, net of mortgage interest relief and life assurance premiums, plus National Insurance payments, were 16.9 per cent of average household gross income in 1988, rising to 20 per cent for the top quintile.

3. That public spending which is on goods and services (education, health, defence) does indeed absorb *GDP*. But the expenditure provides valuable benefits. Although private spending on, say, motoring also both absorbs GDP and provides services, one does not see that described as "taking up" GDP. Are we meant to be conditioned to think that the public sector is a black hole and that if we did not have public spending on, say, health, there would be no need for private spending on it?

4. The limit to public spending thus depends on how much redistribution of income is thought desirable; as well as on the detailed case by case analysis of how best to do those things which *laisser faire* does not do. Fanatics apart, there is a need for informed debate about the scope of public spending, its efficiency, and the degree of progression in the tax system. But the answer to Mr Brittan is that there are still indeed genuine choices to be made. The matter is not resolved by appeal to the misleading "ceiling" hiding behind his rhetorical question.

Alister Sutherland,
Trinity College,
Cambridge

Behind a rare show of cross party support

From Mr Terence Higgins MP.

Sir, Your leader, "Labour takes the next step" (May 9), was right to stress the importance of bipartisan support for reforms designed to improve the quality of public services.

You stated that "such cross-party support for institutional reform has become rare enough to merit comment in its own right".

In fact, this has been due to a significant extent to the work of the Treasury and Civil Service Committee – and particularly that of its sub-committee under the chairmanship of Mr Giles Radice (Lab, Durham North) – which in successive reports has played an important role in ensuring all party support for the Next Steps initiative.

In our most recent report (Eighth Report, 1989-90, The Next Steps Initiative (11C481)) the committee said that: "The Next Steps Initiative is the most ambitious attempt at civil service reform in the twentieth century. The sustained interest of parliament and all democratic parties is crucial to its initial success, its medium-term development and its long-term durability as a more efficient, open and accountable way of conducting public business."

In our concluding paragraphs, we recorded that there was general agreement that Next Steps was a generally neutral reform, and stressed that the non-partisan character of the reforms must be maintained.

The all-party support given by the Treasury and Civil Service Committee has helped establish the confidence of all parties in Next Steps being "a piece of transferable technology" operable by governments of any political persuasion. The speech by the shadow chancellor specifically recognised the work done by the Treasury Committee in ensuring the all-party support for the Next Steps initiative.

Terence Higgins,
Treasury and Civil Service Committee,
House of Commons, SW1

A party political present

From Mr J L Whitty.

Sir, We don't mind referring, as you suggest ("No FT, no comrades", May 3), to Samuel Brittan's view that "Unfortunately it is still not possible for market economists to support Labour with a straight face", as long as your generous offer of charging "no reproduction fee" extends to quotations in the FT from industrialists.

Mr D B Robb, of Marlborough Ceramics (Letters, May 3), provides one of many examples: "We regard the recession as being the result of unforgiveable incompetence by the government."

We refer to the FT because we hold it in high regard. Rough or smooth, it has the distinction of honesty and useful information. If we use quotations from your paper in future broadcasts and publications, thus providing you with advertising that reaches millions, no promotion fee. This one's on us.

J L Whitty,
general secretary,
The Labour Party,
150 Walworth Road, SE1

Golden gate

From Mr Peter Verstage.

Sir, At least factory gates manufacturers seem to be doing well, having got away with yet another price rise ("Factory gate prices up 1.2 per cent", May 15). We must be in the wrong business!

Peter Verstage,
managing director,
Mekvale Envelopes,
Weir Road, SW12

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Monday May 20 1991

Populist Boris Yeltsin faces stiff challenge from conservative former Soviet prime minister Nicolai Ryzhkov

Battle for Russian presidency begins

By Leyla Boulton in Moscow

THE RACE for the presidency of the Russian republic, to be decided in the territory's first direct leadership elections, opened at the weekend. The republic's most popular politician, Mr Boris Yeltsin, is pitted against Mr Nikolai Ryzhkov, former Soviet prime minister.

Other candidates to be formally registered today for the presidential contest on June 12 include Mr Vadim Bakatin, liberal former Soviet interior minister and now an adviser to Soviet President Mikhail Gorbachev. Another is General Albert Makashov, a Communist hawk who rose to fame last year by accusing Mr Gorbachev of betraying the national interest through his "permissive" foreign policy.

The election will give Russia, which was ruled by a hereditary monarchy until the 1917 Bolshevik revolution, its first directly elected leader.

It will also create a powerful counter-balance to the might of Mr Gorbachev, who was elected Soviet president by parliament but has not yet stood for direct election.

The Russian Congress of People's Deputies is to meet tomorrow to put the finishing touches to legislation to define the powers of the executive presidency. Communist party hard-liners plan to fight to dilute the legislation, already much watered down.

An earlier draft made the president commander in chief of the armed forces (as yet non-existent) but the latest version simply states that the president must guarantee the republic's national security. Another possible source of contention, though, is the draft's stipulation that the president cannot belong to a political party.

Mr Yeltsin, who favours radical political and economic reform, quit the Communist party last year, but many of his rivals still belong to it.

He is almost certain to win the Russian election but he faces a stiff challenge from Mr Ryzhkov, known as "the weeping Bolshevik", who enjoys the support of conservatives in industry, the army, and the Russian Communist Party.

Each man has chosen a hero of the Soviet war in Afghanistan as his running-mate. Mr Ryzhkov, who resigned the Soviet premiership in December after a heart-attack, has nominated Colonel-General Boris Gromov as for vice-president. The general, who led Soviet forces out of Afghanistan in 1989, is now a Soviet deputy interior minister who favours tough law and order measures.

Mr Yeltsin, 60, has teamed up with Colonel Alexander Rutskoy, head of a reformist parliamentary group called Communists for Democracy, which helped him fight off hard-line attacks at a meeting of the Russian super-parliament two months ago.

The nomination of Col Rutskoy, an air force pilot who was made a Hero of the Soviet Union after escaping capture by Afghan rebels, is a deft move by Mr Yeltsin to lift his support among the party rank-and-file.

Building on his new statesmanlike image, Mr Yeltsin called at the weekend for fair play in the election, after an unclaimed bomb-blast had devastated the headquarters of Democratic Russia, the umbrella group which supports his candidacy.

● Reuter reports: A Lithuanian border guard and a Byelorussian policeman have been killed in separate attacks near the border between the two Soviet republics, Lithuanian radio said yesterday. Mr Gediminas Vagnorius, Lithuanian Prime Minister, said the Byelorussian was shot after he opened fire at guards in Lithuania's Salcininkai region.

The political economy of interest rates

By Anthony Harris

MOST current discussion of the interest rate debate paints a very simple black and white picture. In the white corner are the authorities, speaking with one responsible voice for caution. In the black, a gaggle of irresponsible Tory newspapers and backbenchers, agitating for one last dash for growth before it is politically too late. In the middle, the prime minister as referee.

This is hardly even a caricature of what is, in fact, a complicated political struggle and a highly debatable piece of economics. The chancellor is indeed a hard-liner; but his main fear seems to be cutting rates so far that he might have to edge them up again. This would be bad for his personal reputation, but might be a good deal less than fatal for a government threatened at the moment by a general collapse in voter confidence – with one in three, according to a poll last week, in momentary fear of unemployment. The prime minister, with longer experience of economic management, may well lean to a different conclusion economically – but must suspect his own political motives, for time is short.

The Bank of England has its own problems. It is well aware of the downside of economic risk, which is lucidly set out in its current bulletin: consumers and companies may be so concerned to get out of their present precarious debt position that any recovery will be delayed and weak.

It is also, though tentatively, a good deal more optimistic about the inflation outlook than ministers yet sound. It suspects that both price and wage trends are weaker than official figures would suggest – and these are in any case a lagging indicator, as it stresses.

This sounds like a case for taking some risks with further cuts, but banking politics are against this. The Bank is concerned with its credibility in the markets (which tends to mean that policy moves at the pace of the slowest), and especially with its European credentials. An independent central bank might choose to run some risks, as the Fed has cautiously done. A bank which is legally a creature of the Treasury must constantly assert its independent judgment, as even the Fed feels compelled to do when White House pressure is too obvious and vocal.

None of this political manoeuvring would matter much if the economic case were as simple as the chancellor, to take the most important example, makes its sound. Growth can only be resumed when inflation has been brought down to European levels (and especially wage inflation); until then, it is appropriate that interest rates should move only with one of the many definitions of inflation. But there is an implied chain of reasoning here which is suspect at every step.

First, it need not be true that even accurately defined inflation must be a constraint on growth. Traded goods inflation is indeed important; but as the Bank itself points out, it is here that wage growth has moderated already, and that any recovery should lead to a sharp improvement in productivity. In any case, as the bulletin says, any remaining cost problems here will, in the end, be contained by our membership of the ERM.

It is only a few months ago, indeed, that our joining the ERM was greeted as an adequate long-term anti-inflationary policy, as it has proved for all other members

It is only a few months ago, indeed, that our joining the ERM was greeted as an adequate long-term anti-inflationary policy, as it has proved for all other members. It also provided, for a short time, an external constraint on domestic interest rates; but now that the pound has risen within the system, interest rates policy has taken on a perverse life of its own. Hence the chancellor's nursery-school homilies.

The main remaining cost push comes from the service sector – as it does in nearly all developed economies, partly because of health costs. This is partly a matter of structure and of psychology: too many big services are virtually cartels, while ordinary British consumer services, like restaurants, try to push up their margins in hard times where their US counterparts would try to keep their custom by price-cutting. In any case, the public sector as a whole is the biggest UK cost problem: this reflects some necessary catching up (teachers, for example), and irresolution among public sector employers. These matters have nothing to do with monetary policy.

Nor, for that matter, do the monetary aggregates, which have been growing at half the pace of a year ago. It is an odd world in which the most technical monetarists on the US Federal Open Market Committee find it much easier to make a case for cutting already low rates than our seat-of-the-trousers pragmatists do for cutting our high ones. Indeed, we no longer have anything which can be dignified as a monetary policy: simply an interest rate policy, whose only comprehensible target is to look tough. This is politics, not economics.

In any case, there is no case even argued for a squeeze which is steadily tightening in the terms which matter to business - the expected real cost of of borrowed funds; yet that is precisely what our new policy is delivering. While money-market rates here have been allowed to fall by three percentage points, much of this has been eaten up in wider banking spreads and (justifiably) higher risk loadings. The Bank of England confessed in the House of Commons that it does not know what rates are actually charged; this can only be because it does not really want to know.

The risk on this approach to policy is that companies will initiate a second leg in the recession in their effort to avoid real borrowing costs which prospectively are now into double figures for some; and that when industrial confidence has been destroyed in this way, the government will panic and cut rates by an amount which will destory financial market confidence in the UK. The Fed, which can smell a crisis of financial confidence pretty sensitively, is relaxing quickly – as did Mr Volcker in rather similar circumstances. This careful experimenting is not half as risky as British slogan-mongering.

UK heads table in corporate hospitality

By Richard Waters

FORGET those myths of Britain's industrial decline. There is, at last, proof that the British executive holds sway where it really counts: the lunch table.

Not to mention the corporate hospitality suite, the business-class hotel and the company car. For few executives elsewhere in Europe can rival the British when it comes to spending their companies' money on entertainment and travel.

The survey sponsored by Visa International interviewed 10,000 people across Europe. The world's largest payment systems company found that wining and dining, rattling up extravagant hotel bills and doing "business" miles in company cars are all skills honed to a high degree in the UK.

The British splash out $6bn a year on entertainment, compared with the $8bn spent by the Germans and the $7bn of the French. But, per head, they are unbeatable, Visa says.

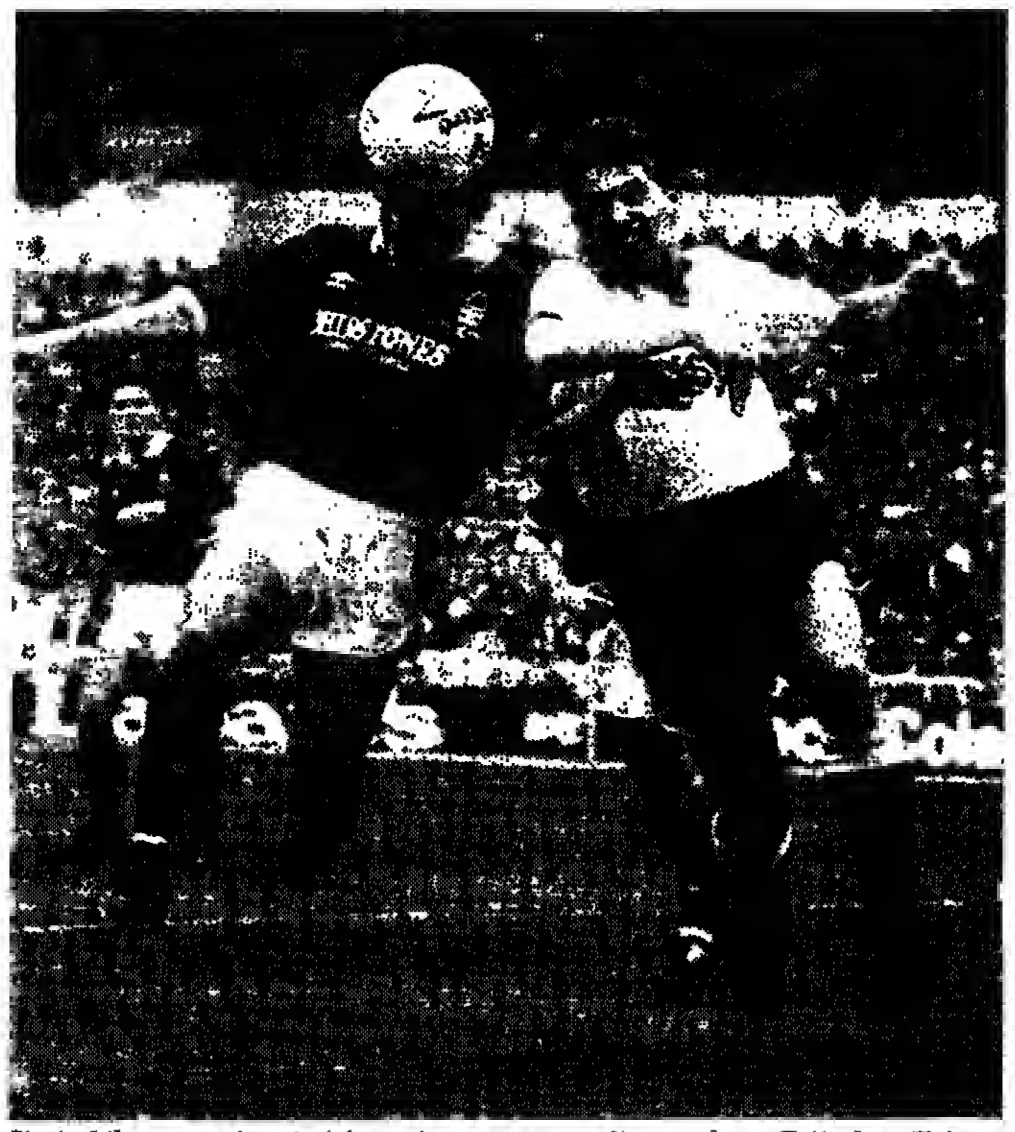
The average British executive spends $3,370 a year trying to impress his business contacts over French cuisine and Italian wines. Spanish executives have edged into a respectable second place with $3,055 each. French managers come third on $3,036 apiece.

The average German businessman entertainment spending is only $2,595 a year – though that is still far more than the typical Portuguese, whose $1,104 a year puts him at the bottom of this particular Euro-league.

The Britons' success owes much to the new forms of corporate fun they have discovered in recent years. Company "hospitality suites" now dominate all big UK sporting events, from last Saturday's showpiece of English soccer, the FA Cup Final at Wembley Stadium, which marked the opening of the hospitality season, to Wimbledon and Henley.

Other notable achievements of the typical British businessman are the $2,150 a year spent on hotels (bettered only by the Germans, who managed $2,219) and the $1,964 on petrol (behind only the Italians and Germans).

All that money, though, may not be helping to win new export orders for the UK. The British are way down the air travel league, and few of their hotel bills are picked up abroad.



Start of the corporate entertainment season: a capacity crowd sees Tottenham Hotspur beat Nottingham Forest 2-1 at Wembley Stadium, London, in the FA Cup Final

Pretoria tries to end Zulu spears controversy

By Patti Waldmeir in Johannesburg

THE South African government will this week seek to resolve its dispute with the African National Congress, which announced at the weekend that it would boycott talks on a post-apartheid constitution.

Mr F.W. de Klerk, the president, is due to meet the Zulu King Goodwill Zwelithini early this week to discuss the banning of spears and sticks, which Zulu leaders claim are "cultural weapons" but which the ANC says provoke township violence.

The government and the ANC reached outline agreement 10 days ago on measures to end township violence, but final accord has been delayed over the spears issue.

It is understood that Mrs Margaret Thatcher, the former UK prime minister, who is visiting South Africa, may also argue for the banning of spears at a planned meeting with Zulu Chief Mangosuthu Buthelezi, head of the Inkatha Freedom party and a man with whom she developed considerable rapport while in office.

The ANC has insisted that such weapons be banned, because the sight of bands of men armed with "cultural weapons" has often sparked the township violence which has left nearly 10,000 people dead since 1984.

Mr de Klerk is understood to be willing to take such a step, but his failure to act before an ANC-imposed deadline last Thursday caused the ANC'e protest action.

In a move likely to prove popular in South Africa's black townships – where the ANC is often accused of compromising too easily with Pretoria – the organisation has decided to maintain pressure on the government to meet its demands for measures to end the violence.

If, as expected, Pretoria agrees to ban spears, the ANC will then pursue other demands included in its April 5 ultimatum. These include prosecutions of police officers involved in township killings; more powers for a judicial commission of inquiry into violence; disbanding of counter-insurgency units; and the sacking of the ministers of law and order, and defence, although ANC officials acknowledge privately that this last demand is unrealistic.

The ANC will not attend a peace summit to be convened by the government later this week in Pretoria. Instead it will carry out a campaign of consumer boycotts, mass demonstrations and a general strike.

It has refused to participate in constitutional discussions with the government or in a proposed all-party congress scheduled for later this year to prepare for formally drawing up a new constitution.

The last of these measures is likely to have little practical impact. No progress on constitutional talks had in any case been expected before the ANC elects a new leadership at a conference in early July.

The ANC statement at the weekend suggested that it would participate with the government in a later conference, to be convened by religious leaders. This should form the basis of a compromise on the issue.

Pressure rises for cut in UK interest rates

Rachel Johnson, Economics Staff, in London

THE British government faces immediate and widespread pressure to cut interest rates after hopes of a consumer-led recovery to lead the economy out of recession today faded.

Retail sales volumes remain no higher than a year ago while there has been a further "dramatic decline" in the sales of motor traders, according to the April survey of the distributive trades carried out by the Financial Times and the Confederation of British Industry (CBI), the country's employers' organisation.

"While the worst of the decline in the high street is probably behind us, a sustained recovery may still be some way off," the CBI said.

Its findings are likely to renew calls for Mr Norman Lamont, the chancellor of the exchequer, to stimulate economic growth by easing the cost of borrowing.

The Treasury yesterday said: "A recovery will be caused by a consumer revival in confidence, in response to falling inflation and lower interest rates."

The release, however, of a string of economic figures this week is likely to reopen the fierce political debate on the economy which erupted last week after the government announced another sharp rise in unemployment, taking the jobless total to 2.175m in April.

Both Mr Lamont's inaction and the recessionary evidence expected this week are sharpening hopes in the City and at Westminster of another half percentage point cut

The CBI/FT survey backs up market expectations that the official retail sales volumes for April, released later today, will reveal a sharp monthly drop of up to 4 per cent. Such a drop would take the annual rate to minus 2.9 per cent, the lowest for more than a decade.

Today's survey also shows spending in retail outlets severely depressed in April, even after a 3.6 per cent surge in March official retail sales volumes. This was entirely provoked by shoppers hurrying to beat the April 1 deadline for VAT and excise increases announced in the Budget.

Later in the week, gross domestic product figures are expected to show that the economy has been in recession for the third quarter in a row.

The opposition Labour Party called for an immediate cut in interest rates before the retail and national income figures had even been released.

Details, Page 6; Editorial Comment Page 16

ICI finalises its defensive plan

Continued from Page 1

Hanson in reducing ICI's 53,000-strong UK workforce.

● The London Stock Exchange has privately criticised Hanson for waiting 24 hours to announce Tuesday's acquisition of a 2.82 per cent stake in ICI.

Hanson's shareholders should have been told "as soon as possible", the exchange said, because the cost – £240m – amounted to more than five per cent of Hanson's net assets.

The exchange told the group it had infringed the rule by delaying its announcement until just before the market closed on Wednesday.

India's day of the lotus, hand or wheel

Continued from Page 1

gress, the BJP and the Janata Dal are the main parties in the north. But throughout India 38 parties – many of them small, regional groups – are also participating.

Though the campaign has been less violent than many had feared, more than 100 people have been killed. But unprecedented security precautions – including the deployment of 640,000 para-military forces and 1.5m state police and home guard – have been taken in an effort to minimise violence on the three days of polling.

With political parties deeply divided over issues of religion and caste, it remains an open question how "free and fair" this poll will be. "We will do our damnedest to prevent booth capturing", said Mr T.N. Seshan, the chief election commissioner, in a statement yesterday which suggested that in some states it could be uphill work.

India's traditional protection against electoral fraud is to stamp the thumb of a voter with indelible ink when he enters the polling booth. But this is by no means full-proof.

In Bihar, people complain that when they arrived to vote during the last election, they found their votes hed already been cast. Politicians had hired local thugs who passed through the polling booth countless times by simply rubbing off the "indelible" mark. In western Uttar Pradesh during the last election I saw the dominant "jat" farmer caste in a village preventing the "harijans" (untouchables) from approaching the polling booth.

And yet the miracle of an Indian election is that somehow the overall result conforms with what is widely perceived as the collective choice.

Of the 514m electorate, 194m will go to the polls today. Among states voting are the union territory of Delhi, Rajasthan, Haryana, West Bengal and parts of Bihar, Uttar Pradesh and Madhya Pradesh.

No clear sense of direction, Page 16

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	18	64	Berlin	C	13	55	Caracas	F	29	84	Faro	S	22	72	Islamabad	C	35	95
Algiers	S	21	70	Biarritz	C	13	55	Casablanca	S	20	68	Florence	F	19	66	Istanbul	R	15	59
Amsterdam	F	14	57	Bombay	S	32	90	Chicago	F	12	54	Frankfurt	F	15	59	Jakarta	C	33	91
Athens	F	20	68	Bordeaux	C	17	63	Cologne	F	15	59	Geneva	S	14	57	Jersey	Dr	11	52
Bahrain	S	28	82	Boulogne	C	14	57	Copenhagen	F	13	55	Gibraltar	S	15	59	Johannesburg	S	20	68
Bangkok	F	36	97	Brussels	F	15	59	Corfu	F	16	61	Glasgow	C	13	55	Lima	C	23	73
Barcelona	S	17	63	Budapest	C	11	52	Dallas	F	21	70	Helsinki	F	13	55	Lisbon	S	27	81
Beirut	-	–	–	Buenos Aires	F	23	73	Dublin	C	17	63	Hong Kong	C	30	86	London	C	16	61
Belfast	C	16	61	Cairo	S	31	88	Dubrovnik	S	14	57	Innsbruck	F	11	52	Los Angeles	S	11	52
Belgrade	C	8	46	Cape Town	C	18	64	Edinburgh	F	14	57	Inverness	F	12	54	Luxembourg	F	14	57

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	18	64	Milan	S	17	63	Nicosia	F	23	73	Salzburg	F	12	54	Tenerife	S	23	73
Madrid	S	20	68	Montreal	S	8	46	Oporto	S	25	77	San Francisco	F	8	46	Tokyo	C	25	77
Majorca	F	20	68	Moscow	C	19	66	Oslo	F	15	59	Seoul	F	26	79	Toronto	S	9	48
Malaga	S	20	68	Munich	F	13	55	Paris	C	16	61	Singapore	T	28	82	Tunis	C	19	66
Malta	F	19	66	Nairobi	R	18	64	Peking	F	29	84	Stockholm	F	15	59	Valencia	S	20	68
Manchester	C	15	59	Naples	F	16	61	Prague	F	12	54	Strasbourg	S	17	63	Venice	S	18	64
Manila	R	32	90	Nassau	C	30	86	Reykjavik	C	8	46	Sydney	S	18	64	Vienna	C	11	52
Melbourne	Fg	12	54	New Delhi	S	38	100	Rhodes	R	20	68	Taipei				Warsaw	R	8	46
Mexico City	M	M	M	New York	F	13	55	Rio de Janeiro	C	27	81	Tangier	S	23	73	Washington	R	19	66
Miami	F	26	79	Nice	F	19	66	Rome	F	17	63	Tel Aviv	S	22	72	Zurich	F	13	55

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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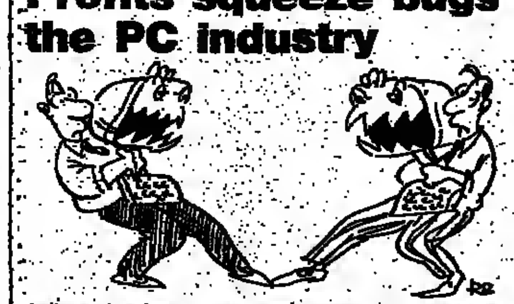
Monday May 20 1991

INSIDE

Profits squeeze bugs the PC industry



Stagnant sales and a bitter price war in the US personal computer industry is squeezing manufacturer's profit margins and forcing rapid consolidation among distributors. Compaq Computer sounded the alarm last week when it warned of a steep decline in sales and earnings in the current quarter. Now Apple Computer is expected to announce large scale layoffs as it struggles to maintain profit margins, and IBM is reported to be about to cut tha prices of some of its personal computer products for the second time in a month. Page 21

Bank of Scotland rating cut

Bank of Scotland has had its credit rating cut by Moody's Investors Sarvice, the US credit rating agency. The rating change could increase the cost of raising new capital for Bank of Scotland, especially if its follows other UK clearing banks into the rating-sensitive US market. Page 20

Singapore Airlines fall 24%

Singapore Airlines has unveiled a 24 per cent decline to S$912m (US$515m) in after-tax profits for the year anded March, 1991. The airline said business levels had been hit by the Gulf crisis, the strength of the Singapore dollar and rising fual costs. Revanue fell 2.8 per cent to S$4.95bn. Page 21

Pilkington to sell US group

PILKINGTON, tha glass-maker which has been selling non-core activities, is putting Coburn Optical Industries, part of its US eye care business, up for sale. Employees were told last Friday. Page 20

New look for World Indices

The FT-Actuaries World Indices have undergona their first complete review after four years of publication. The changes follow a detailed review by the World Index Panel of each of the 24 markets and, within them, every constituent company and line of stock. Page 20

Market Statistics

Companies in this issue

VEV loses FFr800m as debts mount

By George Graham in Paria

VEV, the struggling French textiles gronp, has finally announced net losses of FFr800m ($137.7m) for 1990, confirming the worst forecasts about its situation.

The group, rescued from bankruptcy by a temporary financial lifeboat provided by its bankers and the French government, said its operating losses totalled FFr270m as sales fell by 14 per cent to FFr5.7bn.

The debt-ridden group said that net financial expenses amounted to FFr521m.

VEV complained that the deterioration of the financial markets after the Iraqi invasion of Kuwait last August had prevented it from selling off subsidiaries to reduce debt. The disposal of Pennel & Flipo, Snhlistatic and Gravograph (a management buy-out which has not yet been finalised) should bring in around FFr450m of exceptional gains this year, it said.

The VEV board gave its final agreement on Friday to the terms of the rescue package worked out with its bank creditors under the anspices of the French government's industrial reconstruction committee.

The deal provides for the banks to abandon FFr200m of short-term credits about half of VEV's short-term debt and to consolidate FFr500m of medium-term debt into long-term participating loans. A moratorium is expected on a further FFr1.3bn of debt once an audit of the company has been completed.

The board confirmed the departure of Mr Christian Derveloy, who built the VEV group out of the Prouvost company he used to manage and the textile remnants of the Boussac empire. His replacement as chairman and chief executive is Mr Régis Bello, former chief executive of the Dewavrin group, which owns Dickson Constant, the blinds maker.

The final revelation of VEV's 1990 losses, which were originally dne to be published three weeks ago, has renewed questions about the information published by the group last year.

The Commission dee Opérations de Bourse (COB), the stock market regulator, has opened an investigation into VEV, which had claimed in the offer document accompanying a FFr354m rights and convertible bond issue last July that it would return to profit in 1990.

Only a few months after this issue, VEV reported first-half losses of FFr68m, and then provided no new information to shareholders on the worsening of its situation until the end of April.

Spurs faces new financial crisis

By Roland Rudd in London

TOTTENHAM Hotspur's financial crisis deepened last night with news that the Italian Club Lazio is poised to call off the transfer of Mr Paul "Gazza" Gascoigne, the London football club's leading player.

Mr Gian Marco Galleri, Lazio chairman, said the deal would almost certainly be called off once Tottenham confirmed officially the seriousness of Mr Gascoigne's injuries.

The London club, commenting after an operation on Mr Gascoigne's injured knee yesterday, said the player would definetely miss the start of the next season. He sustained the injury 15 minutes into the Football Association Cup Final on Saturday at London'e Wembley Stadium.

There are fears that Midland, owed up to £11m ($19m), will put Spurs into administration. The club is in breach of its interest cover and owes np to another £3m to other people including directors of the club.

It has been told by Midland that it needs to sell some of its assets to pay back some of the debt before other financial actions such as an equity injection can take place.

The board has already rejected a proposal from Mr Terry Venables, the Tottenham manager, to inject new equity into the club.

A Tottenham board member last night said that Midland had made clear it was not willing to wait much longer for the debt to be repaid.

Tobacco ad ban faces a bumpy ride

Alice Rawsthorn and Andrew Hill on doubts about the threatened curb

There is a story – possibly apocryphal – of a London advertising agency shooting a cigarette advertisement on the south coast of Britain when the art director ordered thousands of pounds-worth of his favourite caviar for the crew. Hours later the caviar arrived. It was the wrong type. The art director threw it all away.

The caviar era is over for Europe's advertising agencies. The economic slowdown has already forced them to curb their extravagance. And last week, Ms Vasso Papandreou, the Greek commissioner for social affairs, persuaded a majority of commissioners in Brussels to approve a draft directive in effect banning direct and indirect advertising of tobacco and tobacco products in the EC after 1992.

Although she has the emotive public health argument in her favour, Ms Papandreou, herself a smoker, faces a struggle to convince some member states that the directive is legally enforceable. One senior official said: "There are a lot of consequences that have not really been thought through."

This is likely to worry the British, Dutch and German governments, which could collectively block the measure, possibly supported by Denmark.

The directive has not had an easy ride. Five of the 15 commissioners who voted on the measure at last week's meeting opposed it. They included prominent trade liberals like Sir Leon Brittan, responsible for competition, and Mr Martin Bangemann, who has to embrace the directive as part of his internal market portfolio.

Their objections are echoed by some member states, which argue that the directive would:

- Restrict freedom of speech by limiting advertising for a product which can be legally manufactured and consumed in the EC
- Prove difficult to introduce as part of the single market programme for harmonising health and safety standards
- Create insuperable problems of legal definition and enforcement, particularly in the case of "indirect" advertising.

Ms Papandreou and her supporters argue that the directive would not ban advertising, but restrict it to point-of-sale. This answers the tobacco industry's claims that its advertising is not aimed at recruiting non-smokers.

While the arguments rage in Brussels, the European advertising industry is counting the cost of the threatened ban.

Tobacco accounts represented little more than 1 per cent of the $50bn spent on advertising in the EC in 1990. However, tobacco advertising tends to be profitable for agencies beause they generally work for the same multinational client across several countries.

The Marlboro cigarette account, held in nearly every European country by Leo Burnett, the private US agency, is said to be one of the most profitable in the industry.

Tobacco accounts are also prestigious because they tend to be associated with creative advertising. Ironically this is a legacy of restrictions on advertising content, which encouraged agencies to experiment with abstract motifs such as the minimalist images of slashed purple silk devised by Saatchi & Saatchi for Silk Cut in the UK.

Agencies like Saatchi, Burnett and McCann-Erickson (a subsidiary of Interpnblic, the US group, which works for Camel cigarettes across Europe) now risk losing their lucrative cigarette accounts.

They may be able to compensate by working on other forms of promotion. Mr Simon Mellor, a director of Saatchi, said many cigarette companies switched to direct mail when tobacco advertising was banned in parts of Scandanavia.

However, the threat of losing tobacco accounts comes at a sensitive time for the European agencies which are already under pressure because of the slowdown in advertising revenue. It also poses a problem for the media – notably magazines, newspapers and posters – which depend on tobacco advertising as a source of revenue.

But the real concern of the European advertising and media industries is that the tobacco ban could open the floodgates for draconian restrictions on other "sensitive" areas of advertising. The European Commission is already considering areas such as pharmaceuticals, children's toys, cars and financial services.

Cigarette industry strikes back

By Philip Rawstorne in London

OVERALL tobacco consumption in the European Community – a retail market worth around $50bn in 1989 – would not be affected by an advertising ban, says Mr John Lepere, chairman of the confederation of EC cigarette manufacturers.

"The result can only be to limit choice; to block the free flow of information; to emasculate competition; and to inhibit commercial investment."

Industry analysts agree there is evidence to support at least some of these claims.

Tobacco advertising has been virtually non-existent in the Soviet Union and eastern Europe, yet US department of agriculture etatistics show total cigarette consumption in those countries rose by 17 per cent between 1975 and 1989. International tobacco companies regard the region as one of their biggest potential growth areas.

Consumption has declined in some west European countries with restricted advertising, such as the UK and Netherlands, but it has risen in others. Cigarette sales in Norway are now 58 per cent higher than they were in 1975 when an advertising ban was introduced. In Portugal, they have increased 12.6 per cent since a 1981 ban.

The initial effect of banning advertising would be to freeze market shares and protect state tobacco monopolies such as those in Italy and France.

Profit margins of the tobacco companies would increase as spending on advertising stopped.

However, Mr Mike Nightingale, tobacco analyst at UK brokers County NatWest, says: "I would expect most companies to switch some spending rapidly into other forms of marketing – corporate advertising, point of sale and other promotional activity. In time, the reputations of the international companies would come through and they would gain market share."

When Italy introdnced an advertising ban in 1961, Philip Morris had 0.5 per cent of the market. It now has 40 per cent.

There would certainly be more price competition if not a price war. "Price would become a prime marketing tool," says Mr Nyren Scott-Malden, analyst at BZW in London.

Without advertising, it would also be difficult for companies to introduce new, and perhaps safer, products, he says. "Over recent years much cigarette advertising, for instance, has been devoted to low-tar products."

Economics Notebook

UK government adopts eloquent silence on Emu

FOR an unelected official, Mr Robin Leigh-Pemberton, the Governor of the Bank of England, has been talking a lot for Britain over the past fortnight.

While his warnings about inflation and a premature lowering of interest rates have hogged the headlines, he has been no less voluble on other issues, including European economic and monetary union.

In fact, the governor devoted more of his speech in Frankfurt last Tuesday to the pitfalls on the road to Emu than to criticising those "siren voices" in Britain and abroad which had called for monetary easing. And Mr Leigh-Pemberton was again warning of a rush to Emu in Berlin on Friday.

The governor's willingness to discuss Emu last week was in marked contrast to the attitude of Mr Norman Lamont, the Chancellor. He has remained silent on the issue even though both men spent the previous weekend with other EC central bankers and finance ministers discussing the current negotiations on union.

That was when Mr Jacques Delors unveiled his proposed "no veto, no lockout" rule. This would allow the negotiations on Emu to progress with no country (meaning Britain) being able to veto the proceedings and no country being locked out of Emu if it decided against joining the others at the start of union or failed to match the economic criteria required to join the club.

A neutral observer might have thought that Mr Delors' propcsal – which appears to cast Britain in the slow lane of a two or multi-speed Europe – would have prompted statements from Mr Norman Lamont or Mr Francis Maude, the financial secretary who has been doing a lot of the leg work on Emu. But not a bit of it. All the House of Commons heard last week were some non-committal remarks from the prime minister on Tuesday.

It was left to the governor, in Frankfurt that day, to raise objections to the idea of two-speed Europe. He warned that monetary union for a small group of countries could create a D-Mark zone that would be counter to the interests of its members and the rest of the EC.

Mr Leigh-Pemberton also gave four reasons why moving to Emu would be a herculean task for the EC and he made clear that even if the 12 member states achieved domestic price stability that would be an insufficient condition for success. The governor argued that:

- Emn would only be possible if the 12 economies had converged to the point where some countries no longer had to adopt consistently tighter policies than others.
- Patterns of behaviour in some member states would have to change so that all demonstrated the public commitment to price stability that has characterised Germany in recent years.
- There would have to be no threat to the political acceptability of a common monetary policy from policy differences in other areas.

In particular, countries would have to achieve greater harmony on national budgetary positions with high-deficit countries like Italy coming into line with Britain's strong, low-deficit budget policy.

- The EC member states would have to achieve the necessary flexibility in their economies to deal with external disturbances when in a state of union.

"If ever exchange rates were to be fixed and official interest rates became uniform throughout the Community, the burden of adjustment would rest squarely on domestic costs and prices in individual countries," he warned.

Most of the governor's speech had been planned before Mr Delors unveiled his latest proposals although the passage casting doubt on a two-speed Europe in his Frankfurt speech was inserted in response to the new Delors initiative.

Although his remarks amounted to a robust explanation of why the EC member states should not rush to union, they gave no detailed insight into current intergovernmental negotiations on Emu or the UK's attitude towards them.

In this respect, the silence of the Treasury over the past week has probably been as eloquent as tha govarnor'a speeches.

Emu, one of the great political issues of 1989 and 1990, has dropped out of the headlines since the 12 member states settled down last December to negotiate a monetary union treaty in the intergovernmental conference (IGC).

Emu fatigue has set in among commentators, in part because of the sheer complexity of the negotiations, where only the dedicated officials attached to the conference have been able to keep track of the dozens of proposals advanced by the member states.

Mr Delors' proposal suggests that this phoney war could now be coming to a close and that Emu will move back into the centre of political debate.

That certainly appears to be the intention of many Conservative backbenchers, headed by Mr William Cash, who are preparing a Commons motion intended to ensure that the government adopts a tough anti-federalist position in the IGC negotiations.

Such a move would be unwelcome to the Treasury, which takes the view that time should be left to work in Britain's favour. Treasury officials seem to consider that Emu is too far in the future to generate much worry at present. They argue that the member states are a long way from agreeing a draft treaty let alone signing one.

This attitude was reflected in Mr Lamont's remarks after the recent Luxembourg meeting that "a million questions" still had to be answered about Emn and many of them were posed by other countries.

But if Mr Cash'e action is unwelcome for the Treasury, it is potentially damaging for Mr Lamont and the prime minister. The European issue could loom again as a threat to Conservative party unity.

So will Mr Lamont comment on Mr Delors' latest plan? The chancellor is scheduled to address a prestigeous conference on Emu in London on May 30 organised jointly by the Royal Institute of International Affairs and the Association for the Monetary Union of Europe.

Other speakers expected at the conference include Mr Karl Otto Pöhl, the now outgoing Bundesbank president, Mr Giovanni Agnelli, chairman of Fiat, Mr Philippe Maystadt, Belgium's finance minister and Sir Leon Brittan, the UK's senior commissioner in Brussels.

But 10 days is a long time in politics. The pressures will be growing on the chancellor to break his silence on Mr Delors and Emu before then.

Peter Norman

Dalgety paves way for move into Europe

By Roland Rudd in London

DALGETY, the food and agribusiness group which owns Spillers, Homepride and Golden Wonder, is expected to announce today that it has cleared the way for a major European acquisition by disposing of its US produce interests.

The group believes it has a strong enough balance sheet to buy a European ingredients or pet food company worth up to £200m ($346.00). The new business would then be merged into its Lukas Ingredients or Spillers Pet Food division.

Dalgety's borrowings have fallen from more than £250m two years ago to around £70m and are expected to fall further by the year end following stringent action by Mr Maurice Warren, chief executive, since October, 1989.

The company once had pretentions to being a worldwide conglomerate with businesses in Europe, the US, Zimbabwe and Australia. Mr Warren, however, has returned it to its core food and agribusinesses.

Today, the company is due to announce its last main disposal, the sale of its US produce interests for around $25m to a Californian consortium. Despite annual turnover of $150m the American business made disappointing pre-tax returns.

Mr Warren plans to dispose of the group's remaining stake in Dalgety Farmers, the Australian farm services company. It recently cut its 65 per cent stake to 41 percent.

Dalgety will have only one major business left outside Europe, the US Martin-Brower fast food distributor. Mr Warren has no plans to sell the business which he believes is "risk-free".

Pilkington to sell US eye-care group

By Maggie Urry

PILKINGTON, the glass-maker which has been selling non-core activities, is putting Coburn Optical Industries, part of its US eye care business, up for sale. Employees were told last Friday.

Pilkington is thought to be looking for a good premium to Coburn's net asset value of about $50m (£28.9m). Coburn has annual sales of $80m, mainly in the US. It supplies opticians shops with equipment to finish off spectacle lenses.

Although Pilkington also makes and sells lenses to opticians, there proved little to be gained by owning Coburn as well.

Coburn was part of the eye-care business bought from Revlon in 1987 for £361m. That acquisition turned sour when the US contact lens market collapsed, and Pilkington has had to take severe action, cutting 30 per cent of its workforce.

The future of the US contact lens business has been under review, although the proposed sale of Coburn is not believed to give any indication as to Pilkington's other plans. for the rest.

The sale of Coburn is expected to take time as Goldman Sachs, which will handle the auction, is to seek interest around the world. The market for selling businesses is difficult at present.

Over the past 15 months Pilkington has raised almost £100m through sales of non-core businesses, and there is scope for further sales apart from Coburn. The businesses already sold accounted for more than £100m of the group's sales – which totalled £2.9bn in 1989-90 – but in aggregate these subsidiaries were loss-making.

Moody's cuts Bank of Scotland's credit rating

By Simon London

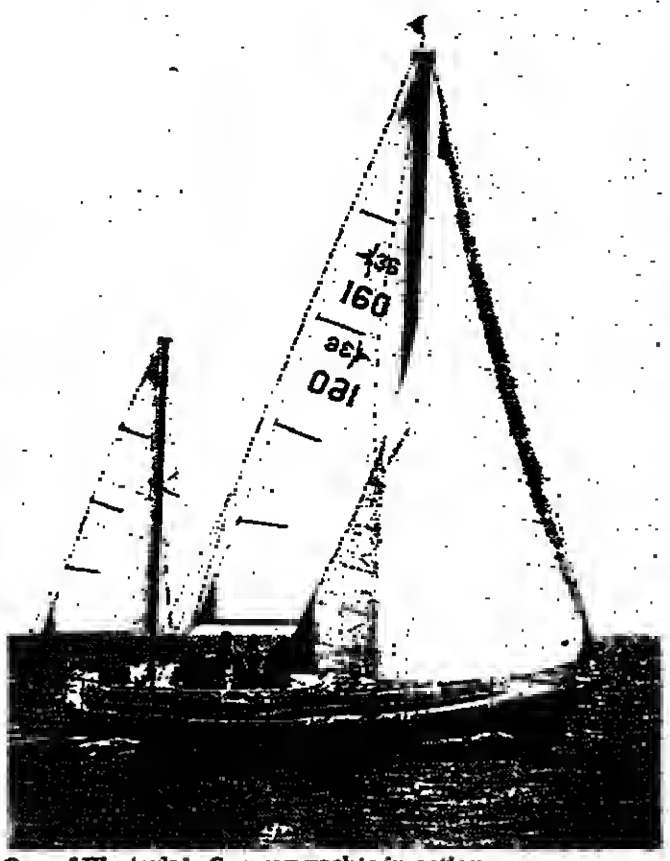
BANK OF Scotland has had its credit rating cut by Moody's Investors Service, the US credit rating agency.

The rating change could increase *the cost of raising* new capital for the bank, especially if its follows other UK clearing banks into the rating-sensitive US market.

On Friday, Barclays launched a $500m, 30-year subordinated debt issue in the US.

Moody's has lowered the senior debt rating by one notch from A-1 to AA-3, citing further deterioration in the bank's asset quality as the reason for the cut.

Subordinated debt is cut from A2 to A3 and preference shares from A1 to A2. The bank's top Prime-1 rating for short-term debt instruments is not affected.



One of Westerly's Conway yachts in action

Westerly yacht building ends as recession bites

TOUGH economic conditions and increased VAT have taken their toll on Westerly, the West Midlands boat builder and shoe manufacturer, which announced that its yacht building subsidiary ceased production last Friday.

The company said that the ending of production at the subsidiary, Westerly Yachts, was "due to extremely difficult current economic conditions . . . and the lack of orders following the increase in VAT to 17.5% in the Budget".

Mr Harry Balmer, appointed managing director in March, said that re-starting production may be possible as and when market conditions improve.

Since September 1990 the subsidiary has substantially reduced its operations and in the period the number of jobs have been cut from 450 to 154. Mr Balmer said that about 10 employees would be retained to oversee the disposal of assets. These include about 40 new and trade-in yachts.

In the year 1990 the subsidiary had turnover of £12.1m and incurred a trading loss of £364,000, before exceptional items, on capital employed of £4.26m.

Group pre-tax profits of Westerly rose steadily to a record £1m in 1988 but fell to £718,000 in 1989 and in the first half of 1990 showed a loss of £284,000.

S Africans continue building Etam stake

By Jane Fuller

OCEANA Investment Corporation, a vehicle for a South African retailing concern, continued to build its stake in Etam, the UK fashion chain, last week while considering whether to mount a full bid.

It bought about 850,000 shares on Friday at between 178p and 185p – the maximum at which it would bid – and took its stake to 26.5 per cent. This compares with the 25.1 per cent level reached through its tender offer for which the striking price was 185p, putting a value of £121m on the group.

The offer was about 11 per cent oversubscribed.

Etam's board has stated that it would not recommend an offer at 185p. It maintains that substantial benefits will flow from its heavy investment programme once the upturn in the retail cycle arrives.

Mr David Hudson, a director of Campbell Lutyens Hudson, the investment bank advising Oceana, said they had been encouraged by the result of the tender offer and a hostile bid had not been ruled out.

Brent Chemicals

Brent Chemicals is acquiring Chemical Ways Corporation, a supplier of speciality metal pretreatment, abrasive and coil coating products based in Chicago and Memphis, for a total consideration of $8m (£4.6m).

Purchase marks Serco *move* into leisure management

By David Owen

Serco Group is acquiring Community Leisure Management (CLM) for an undisclosed sum in a move that will mark the diversified business service group's entry into the management of local authority-owned leisure facilities.

CLM manages leisure facilities on behalf of local authorities in Bexhill, Market Harborough and Tenterden, es well as providing consultancy services. Serco's existing work for local authorities includes vehicle, highway and traffic signal maintenance.

In 1990 Serco saw a 20 per cent advance to £4.32m in pre-tax profits on £78.4m turnover.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
RMC Group (UK)	Ytong (Germany)	Building materials	£33.7m	RMC strengthens German presence
RMC Group (UK)	Laussig (Germany)	Building materials	£8.4m	Purchase via German associate
SA Brewing Holdings (Australia)	Mor-Flo Industries (US)	Waters heaters	£18m	SA doubling US market share
Computer Sciences (US)	Butler Cox (UK)	Management consultancy	£14.3m	Agreed bid
Software Publishing (US)	Precision Software (UK)	Computer services	£14.3m	Cash + paper deal
Anglia Television Group (UK)	Village Roadshow (Australia)	Entertainment	£1m	Anglia ups stake to 17.5 *per cent*
Emerald (US)	Pennine Resources (UK)	Oil & gas	£0.9m	All paper deal
Tilbury (UK)/Philipp Holzmann (Germany)/ Girozentrale Bank (Austria)	Tilbury Phoenix (JV)	Property development	N/A	Tilbury strengthens European links
Hunter Douglas (Holland)	Hunter Douglas Holding (Australia)	Window coverings	N/A	HD buying outstanding stake
Pirelli Cavi (Italy)	Unit of STC (UK)	Telecoms equipment	N/A	Northern Telecom disposal

Source: FT Mergers & Acquisitions International

The spotlight was on smaller mergers and acquisitions in the international arena last week, writes Brian Bollen.

Strategic buying and selling continues to be the market's theme.

In the latest in a series of deals in the US *magazine* industry, UK publishing and information group Reed International is expanding its US interests by buying the Broadcasting trade magazine from Times Mirror.

***In financial services*, Barclays continued the piecemeal sale of its consumer finance business, agreeing to sell the third party motor loans business of Mercantile Credit to GE Capital.**

Canada's Northern Telecom is disposing of another piece of STC, the UK group it acquired early this year. Pirelli Cavi of Italy is buying the company's land cable products unit.

Activity revived in Europe's building materials sector. RMC Group of the UK is strengthening its position in Germany's aerated concrete market with two separate moves. It is lifting its stake in Ytong, one of Europe's biggest producers, to 82 per cent (from 29.8 per cent) and buying Laussig of eastern Germany.

UK construction and property group Tilbury is building up its European links by forming a property development joint venture with German contractors Philipp Holzmann and Girozentrale Bank of Vienna.

***Ambitious UK leather and hosiery group Hartstone is* continuing its recent rapid expansion by buying three more companies.**

Adelaide-based SA Brewing Holdings says it will more than double its share of the US water heater market with its acquisition of Mor-Flo Industries. Computer Services Corp wants to buy Butler-Cox of London and merge it with Index of the US to form a global consulting group.

Changes of FT-Actuaries World Indices after complete review

AFTER FOUR years of publication, the FT-Actuaries World Indices have undergone their first complete review.

During this time the indices have gained wide acceptance among international investors. They serve as a yardstick for the world's principal stock markets. In addition, they offer a sophisticated medium to investors wishing to peg the performance of their portfolios to an independent measure of the changing relative values of groups of markets.

The World Index Panel has carried out a detailed review of each of the 24 markets and, within them, every constituent company and line of stock. It has also reviewed the FT-AWI rule book and amended rules where necessary to reflect better the realities of international investment.

An article explaining the background to these changes will be published in tomorrow's FT.

AUSTRALIA:
Additions: None. Deletions: Central Norseman Gold and AWA.
AUSTRIA:
Additions: EVN, OeMV AG and Universale-Bau. Deletions: Constantia and Leipnik-Lundenburger.
BELGIUM:
Additions: Almanij Ord. & A, Barco and Electrafina. Deletions: BBL, A & B, Banque Nat. Belgique, CBR A & B, Cobepa A, Gechem Ord. & A, Gen. Banque B, Glaverbel, Powerfin B, Royal Belge B, Sofina, Tractebel B and Wagons Lits A.
CANADA:
Additions: Bombardier, Corona, Fletcher Challenge, Hemlo Gold Mines, Investors Group, National Trustco, Renaissance Energy, Rogers Comm. and Shell Canada. Deletions: BCE Devl. Corp., Breakwater Resources J., Campeau Corp. Ord., Canada Northwest Energy, Cineplex Odeon Corp., DuPont Can. Inc. A Ser.1, Emco, FPI, Galactic Resources, Magna Intl. Inc. A SV, and Pancanadian Petroleum.
DENMARK:
Additions: Aalborg Portland Pref., Aarhus Oliefabrik B, Bang & Olufsen B, Bikuben, Codan, Jens Villadsen, Potagua B and Topdanmark. Deletions: Danske Luftfartsel and DFDS.
FINLAND:
Additions: none. Deletions: Amer Group A Free, Instrumentarium B Free, Metra-Seria A Free, Partak 1 Free and Stockmann B Free.
FRANCE:
Additions; Bon Marché, CCF, CGIP, Labinal, Legris, Pechiney Intl. and UAP. Deletions: Etex, Gaumont, Immobanque and Locafrance.
GERMANY:
Addition: FAG Kügelfischer Pref. Deletions: Asko Deutsche Kaufhaus Pref., Boss (Hugo) Pref., Didier Werke, DLW, Gerresheimer Glass, Goldschmidt (Th.), HEW, Herlitz Ord. & Pref., Ind. Werke Karls Augs., Industriekredit Bank, Kali und Salz, Klöckner-Werke, Kolbenschmidt, Kölnische Rückversich. Reg., Mannheimer Vers. Reg., Rheinmetall Berlin Ord & Pref., Schmalbach-Lübeca, Süd-Chemie, Varta, Vereins- und Westbank, Wella Pref. and Wurtt. Feuervers. Reg.
HONG KONG:
Additions: Cavendish Intl., Chinese Estates, Great Eagle, HK Telecom, Playmates Hldgs., Semi Tech, Shun Tak Ent., and Sino Land. Deletions: none.
IRELAND:
Addition: Power Corp. DELETIONS: none.
ITALY:
Additions: Assitalia, Banco Ambroveneto Ord. & Svgs., Banco Toscana, Ferruzzi Finanziaria Ord. & Svgs., IFIL Ord. & Svgs. and Premafin. Deletions: Banca Naz. Agric. Svgs. n/c, Bonifiche Siele Ord & Svgs. n/c, Caffaro Svgs., CIR-Compagnie Svgs., Cofide Svgs. n/c, Gemina Svgs. n/c, Gilardini Svgs. n/c, Lloyd Adriatico Svgs. n/c, Olivetti PTC Pref., Olivetti Svgs. n/c, Pirelli & Co. Svgs. n/c, Pirelli Spa Svgs. & Svgs n/c, Rinascente PTC Pref. & Svgs. n/c, Saffa Svgs. ex/cv., Saipem Svgs. n/c, Saab PTC Pref., SMI Svgs. n/c, SNIA BPD Svgs. & Svgs. n/c and Tosi (Franco).
JAPAN:
Additions: Aoyama Trading, Ashikaga Bank, Bank of Fukuoka, Bank of Kyoto, Chuo Trust & Banking, Familymart, Gunma Bank, Hachijuni Bank, Hanwa, Hokuriku Bank, Hyogo Bank, Joyo Bank, Keyence Corp., Kyushu Matsushita, Matsushita Comms., Matsuzakaya, Mitsubishi Motors, Nagasakiya, Nankai Electric Rail, Nintendo, Nisshin Steel, Sega Enterprises, Shimano Ind., Shizuoka Bank, Toda Corp., Tokyu Dept. Store, Tomen Corp., Toyo Sash, Toyo Trust & Banking, Toyobo and Yasuda Trust & Banking. Deletions: Chino, Ihara Chemical Ind., Kumiai Chemical, Kurosaki Refractory, Kyoei Sangyo, Miyaji Iron Works, Osaka Sanso Kogyo, Tokai and Tsugami.
MALAYSIA:
Additions: Antah Hldgs., Arab Malaysian Devl., Asia Pacific Land, Bedford, Berjaya, Cement Inds. of Malaysia, Edaran Otomobil Nasional, Faber Group, General Lumber Hldgs., Golden Hope Plantations, Indl. Oxygen Inc., Inter-Pacific Indl. Group, Landmarks Hldgs., Magnum Corp., Malayawata Steel, Metroplex, Mycom, Nestlé (M.), Nylex (M), Oriental Hldgs., Palmco Hldgs., Pelangi, Petaling Garden, Promet, Rashid Hussain, Renong, Resorts World, Singer Hldgs., Sungei Besi Mines Malaysia, Syarikat Telecom Malaysia, Technology Resources Inds., Tractors Malaysia Hldgs., UMW Hldgs., Utd. Engineers (M) and Universal Cable (M). Deletions: None.
MEXICO:
Additions: Alfa A, Celanese A, Cifra A & B, Cydsa A, Desc B, GMEXICO A2, Kimberly Mex. A, Penoles A2 and Vitro. Deletions: Grupo Irsa, Kimberly Mex. B, Liverpool 2, Penoles B, Sanborn Hermanos, Spicer A and Tremec A2.
NETHERLANDS:
Additions: None. Deletions: Assur. Con. Stad. Rotterdam, Borsumij Wehry, Frans Maas, Gamma Hldgs., Hollandsche Beton, Hoogovens, Internatio-Muller, Nijverdale-Ten Cate and Volker Stevin.
NEW ZEALAND:
Addition: Bank of New Zealand. Deletions: Steel & Tube and Ceramco Corp.
NORWAY:
Additions: Leif Hoegh and Unitor Ships Service. Deletions: None.
SINGAPORE:
Additions: Amcol Hldgs., Cycle & Carriage, DBS Land, Hwa Hong Corp., Hotel Properties, Jurong Shipyard, Lum Chang Hldgs., Metro Hldgs., Natsteel, Pacific Carriers, Sembawang Shipyard, Singapore Aerospace, Sime Singapore, Straits Steamship and Utd. Engineers. Deletions: Asia Pacific Brewrs.and Great Eastern Life.
SOUTH AFRICA:
Additions: Amgold, Anamint, Anglovaal, Anglovaal Inds., First Natl. Bank, Genbel, *Gencor*, GFSA, Iscor, JCI, Liberty Hldgs., Mid. Wits., Rembrandt Control, Sappi, Smith (CG) Ltd. and Standard Bank Inv. Deletions: African Oxygen, Blyvooruitzicht Gold, Buffelsfontein, Ergo, Haggie, Harmony Gold, Kinross Mines, Libanon Gold, Score Food *Hldg. Smith (CG) Foods*, St. Helena Gold, Unisel, Welkom Gold, Western Areas and Winkelhaak Mines.
SPAIN:
Additions: Acerinox, Agroman, Aguas Barcelona, Alba (Corp. Fin.), Anaya (Ediciones), Aumar Nostrum, Autopistas CESA, *Banco Exterior*, Bankinter, Catalana Gas, Cubiertas, Endesa, Focsa, Prima Inmobiliaria, San Miguel, Vallehermoso and Viscofan. Deletions: Electra de Viesco, Fasa Renault and Seda Barcelona B.
SWEDEN:
Additions: Atlas Copco B and Stora Koppa. B Free. Deletions: Mo Och Domsjö B Free and Perstorp B Free.
SWITZERLAND:
Additions: Pargesa Br., Richemont A Br. Unit and SMH Reg.(100). Deletions: Alusuisse-Lonza P.C., Elektrowatt P.C., Forbo P.C., Holzstoff P.C, Jelmoli P.C, Landis & Gyr. P.P.C, Leu Hldgs. Reg.(100), Oerlikon-Bührle P.C, Surveillance D.R.C, Swissair D.R.C and Union Bk. Switzerland P.C.
UNITED KINGDOM:
Additions: None. DELETIONS: AAH, Amersham Intl., Anstacher (H.), Ashley (Laura), Berisford Intl., Black (Peter), Boddington Group, Britannic Assurance, Bulmer (H.P.), Calor Group, Cambridge Electronic Inds., Cray Electronic Hldgs., Croda Intl., Delta, Etam, Eurotherm Intl., Ferranti Intl., Fine Art Devls. Greenall Whitley A, Greene King, Hazlewood Foods, Hogg Group, Hogg Robinson, Iceland Frozen Foods, Laird Group, Lex Service, London & Manchester Group, London Intl., Low & Bonar, Low (Wm.), Marston Thompson, Matthews (Bernard), MB Caradon, Menzies (John), Morrison (Wm.), Next, Norcros, Nurdin & Peacock, Oxford Instruments, Pentland Group, Powell Duffryn, Refuge Group, Renishaw, RTZ Br., Saatchi & Saatchi, Salvesen (C.), Schroders n/v, SD-Scicon, Slatchley, Stakis, Standard Chartered, Suter, Transport Devls. and Wolverhampton & Dudley.
USA:
Additions: Air Products & Chem., Alltel Corp., Amgen Inc., Arco Chemical, Arkla Inc., Berkshire Hathaway Inc. Del., Burlington Res. Inc., Centel Corp., CMS Energy Corp., Coastal Corp., Federal Home Loan Mtg. Corp., General Public Utils. Corp., Great Lakes Chemical Corp., Home Depot Inc., Morton Intl., Morgan Stanley Group, NBD Bancorp Inc., Novell Inc., Norwest Corp., Primerica Corp. New, Readers Digest Assn. Inc., Republic NY, Student Loan Marketing, Union Electric, Unitrin Inc., Unum Corp. and Wisconsin Energy Corp. Deletions: AAR Corp., Ashton Tate, Broad Inc., CNA Financial Corp., Consolidated Papers Inc., Constar Intl. Inc., Continental Air. Hldgs. Inc., Cross & Trecker Corp., Data General Corp., Digital Comms. Assoc., Fieldcrest Cannon Inc., Harcourt Brace Jovanovich Inc., Hartmarx Corp., Interlake Corp., Lone Star Inds. Inc., Pan Am Corp., Phillips Van Heusen Corp., Prime Motor Inc., Reynolds & Reynolds, Sunshine Mining, Tonka Corp., Tyson Foods Inc., US Gypsum, Watkins Johnson, *and Zenith Electrs. Corp.*
Classification change to existing constituent:
Anglo American Corp. to Precious Metals & Minerals. (South Africa).

Copies of the new FT-AWI rule book are available from the Manager, FT Statistics, Financial Times, One Southwark Bridge, London SE1 9HL, price £50.

NEWS DIGEST

REA Hldgs 16% ahead at £1.23m

REA Holdings, the plantations holding company, achieved a 16 per cent rise in taxable profits for 1990.

On turnover ahead by 34 per cent, from £49.54m to £66.41m, the pre-tax result came out at £1.23m (£1.05m).

Earnings per share rose from 8.4p to 10.8p and a 4p interim dividend in lieu of a final is declared.

Intl Communication back in the black

An "excellent second half" resulted in pre-tax profits of £830,000 at International Communication & Data, the USM-quoted marketing services company, for the year to February 28, compared with a loss of £358,000.

At the interim stage there was a loss of £81,000. Turnover for the year was £8.23m (£5.12m). Earnings per share came out at 2.28p (losses 1.77p).

Granada man moves in at Boots

Mr Peter Davis, who recently announced his intention to resign as a non-executive director of Granada, the troubled leisure and television group, has been appointed a non-executive director of Boots, the retailing group.

The 49-year-old Mr Davis has had previous retailing experience, spending 10 years at J. Sainsbury, the grocery chain, where he became assistant managing director responsible for all buying and marketing operations.

Mr Davis is chairman and chief executive of Reed International, the publishing group.

Mr Sandy Marshall, who became Boots' vice-chairman in 1985, will retire at the company's annual general meeting in July.

Rosehaugh sells shopping centre

Rosehaugh, the highly-borrowed property company headed by Mr Godfrey Bradman, has sold its Torquay shopping centre to Scottish Widows Fund & Life Assurance Society for £22.7m.

The deal, which is one of the *first large* property deals *this* year, is in line with Scottish Widow's policy of buying retail properties at attractive yields.

Sothebys Holdings

Sothebys Holdings, the auction house, has clarified the dividend announcement it made with its first quarter results last week. Shareholders will have received during the first quarter 50 cents a share, half the $1 payout a *year earlier*.

The latest payments consist of a 15 cents quarterly dividend plus a 35 cents special dividend based on last year's performance. The year earlier payments were 15 cents plus 85 cents.

Harmony Leisure £2.2m disposal

Harmony Leisure Group has sold five public houses and inns, including three freeholds, one long leasehold and one short leasehold, to Hall and Woodhouse for £2.2m in cash on completion. Stock will be acquired at cost, which is expected to amount to £40,000. Net book value of the assets is £2.95m.

COMPANIES AND FINANCE

Call for Japan banking to adopt European style

By Emiko Terazono in Tokyo

JAPAN'S ruling Liberal Democratic Party (LDP), eager to make its mark in the country's financial deregulation talks, has announced its own blueprint for the future shape of the Japanese banking and securities businesses.

A party committee complainad that Ministry of Finance bureaucrats handling the reforms were only co-ordinating interests of the banking and securities industries, and ignoring the consumer.

It recommended that Japan should allow the establishment of European-style universal banks, instead of the partial removal of barriers between banking and securities, favoured by the finance ministry.

The LDP's move seems designed to win applause from the voters since it has come too late to alter the finance ministry's approach.

Mr Tetsuo Kondo, leader of the committee, said that politicians were the ones who passed the laws, and that the finance ministry would have to listen to them.

The report stated the importance of consumer provisions, accessibility to various financial services, and reduction of regional differences in financial services.

The report also stressed the importance of government-affiliated financial institutions to support small companies and social welfare programmes. However, it said that such innovative reforms could not be expected from tha bureancracy, and that politicians must take the lead.

Underwear maker declines to Y12.4bn

By Emiko Terazono

WACOAL, Japan's leading underwear maker, announced a 12.3 per cent drop in pre-tax profits for the year to March 1991, to Y12.4bn ($89.2m).

Sales rose 3.4 per cent to Y117.4bn. The company said that the effect of the warm winter was seen in sales of its winter nnderwear, hnt there were strong sales in women's underwear, nigbtwear and designer brand clothing.

Wacoal blamed higher labour costs and capital investments for the squeeze in profits. After-tax profit gained 0.9 per cent to Y6bn, helped by a corporate tax reduction.

This year, Wacoal forecasts sales np 8.6 per cent to Y127.5bn, but expects competition from imports. The labour shortage will to hurt profits, and the company forecasts only a 0.5 per cent rise in pre-tax profits to Y12.5bn.

Wacoal will pay an ordinary dividend of Y13.5 per share, although it had paid an extra Y1.5 per share in 1989 to commemorate its 40th anniversary.

NRI TOKYO BOND INDEX

December 1983 = 100	16/5/91	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	154.90	7.07	154.46	154.36	146.46
Government Bonds	152.73	6.98	152.18	152.69	143.38
Municipal Bonds	156.76	7.18	156.32	156.99	148.97
Govt.-guaranteed Bonds	159.47	7.24	159.09	159.07	151.62
Bank Debentures	151.87	7.13	151.52	150.95	144.63
Corporate Bonds	157.70	7.38	157.48	155.19	149.36
Yen-denom. Foreign Bonds	162.17	7.93	161.94	158.32	151.44
Government 10-year†	6.59		6.63	6.34	7.24

† Estimated par yield

Source: Nomura Research Institute

Singapore Airlines falls 24% to S$912m

By Joyce Quek in Singapore

SINGAPORE Airlines yesterday unveiled a 24 per cent decline in after-tax profits to S$912m (US$8.51m) for the year ended March 1991.

The airline said business levels had been hit by the Gulf crisis, the strength of the Singapore dollar and rising fuel costs. Revenue fell 2.8 per cent to S$4.95bn.

The slowdown of economic activities worldwide, especially in its markets in the US, the UK and Australia, cut demand for air services. The situation was worsened by the Gulf crisis which pushed oil prices up and further discouraged people from travelling, the airline said.

The 6.5 per cent strengthening of the Singapore dollar against many currencias depressed revenue by S$253m. Passenger and cargo revenue fell 1.4 and 7 per cent to S$3.6bn and S$836m respectively during the year.

The sale of three aircraft yielded S$208m. Singapore Airline's fleet of 43 aircraft is still the world's youngest at 4 years and 9 months. A S$1.6bn order in March calls for the delivery of six 747-400s between 1992 and 1995.

Looking ahead, the airline sees bluer skies with capacity for 1991-92 expected to rise by 13 per cent. With the end of the Gulf war, volatility in fuel prices has abated and confidence among the travelling public is being restored.

Advance bookings had picked up and the outlook was encouraging although full recovery is not likely until later this year. Cargo traffic is also expected to recover.

● Mr Hannes Goetz, chairman-designate of Swissair, said he will make cost control a top priority when he assumes his post at the beginning of 1992, AP-DJ reports.

Mr Goetz also said he would not rule out the possibility of a merger with another airline, bnt not before Swissair strengthens its own competitive position.

He said that in the near-term, the airline should focus on strengthening its position as an independent carrier.

Personal computers go on the blink

Louise Kehoe on the impact of the US industry's increasingly bitter price war

Stagnant sales and a bitter price war are causing turmoil throughout the US personal computer industry, squeezing manufacturers profit margins and forcing rapid consolidation among distributors.

Compaq Computer sounded the alarm when it disclosed last week that it expects a steep decline in sales and earnings in the current quarter. Now Apple Computer is expected to announce large scale layoffs as it struggles to maintain profit margins, and IBM is reported to be about to cut the prices of some of its personal computer products for the second time in a month.

Price cutting has become endemic in the personal computer market. Over the past month, IBM, Compaq, Dell Computer, AST Research, Toshiba and several other makers hava drastically reduced the list prices of their personal computer products by as much as 38 per cent. Dealers, struggling to make sales, are discounting prices further.

Apple Computer led the trend last October, when it introduced a new range of low-cost machines in a bid to boost its declining share of the market.

Apple declared its new pricing strategy a success when it almost doubled the number of computers it sold in the March quarter compared with unit sales in the same period last year. Indeed, the company's share of the US market for personal computers sold through dealers, the primary distribution channel accounting for an estimated 90 per cent of sales, rose from 10.6 per cent in the first calendar quarter of 1990 to 17 per cent in the first quarter of 1991, according to Storeboard, a Dallas market research company.

But selling lower priced computers has put pressure on Apple's profit margins and the company, under Mr John Sculley, chief executive, now expects earnings in the current quarter to fall below those of a year ago.

Apple must cut its costs to improve its financial performance, analysts say. Some believe that will mean reducing the company's workforce by up to 15 per cent, laying off up to 2,000 people.

Apple will say only that it is "considering lots of options" but that it "will aggressively manage operating expenses".

While Apple's market share has significantly increased, IBM's share of sales by dealers remains flat at 28.7 per cent, according to the market research gronp's dealer surveys. The effects of IBM's price cuts in April, which ranged from 3 per cent to 38 per cent, have yet to be measured. Already, IBM is expected to drop prices further.

Compaq, the second largest personal compnter company after IBM, has however lost market share – from 21 per cent of unit shipments in the first quarter of 1990 to 18.4 per cent in the first quarter of this

John Scully: expects Apple earnings to fall

year, the market researchers say.

Compaq's own estimatas paint a different picture. Mr Rod Canion, Compaq president and chief executive, last week told shareholders at the company's annual meeting that the company's market share in three significant product categories was stable.

Nonethelees, Compaq recently reduced its prices in an attempt to stem the incursion of rival "clone" makers onto its turf. "The market is very slow. Compaq and IBM are facing heavy competition, particularly from second tier vendors with lower prices," says Storeboard.

Compaq is not alone, however, in loosing market share, Storeboard notes. In the same boat are AST Research and Epson, two of the largest sellers of personal compnter "clones". Taking the brunt of the market slowdown are third-party computer dealers who sell the industry's products to end users. Their sales have slowed dramatically as corporate buyers limit spending and individual purchasers procrastinate.

For computer dealers, lower prices slice into already wafer thin profit margins, compounding the problems of slack demand. Established dealers also face mounting competition from a new generation of computer mass merchandisers. These no-frills warehouse superstores, selling computers at steeply discounted prices, have virtually eliminated the high street computer store in large metropolitan areas throughout the US.

Computerland, for example, a pioneer of the personal compnter retail husiness, has largely abandoned the retail market, opting for "sales offices" with a sales force that visits potential customers.

The profit squeeze on computer resellers is taking its toll. Last week Businessland, once the industry's largest reseller, reported heavy losses and said that it may be forced to seek hankruptcy protection. Businessland won an eleventh hour reprieve from its creditors which will enahle it to continue operstions while it talks with an unnamed third party said to be interested in acquiring the ailing company.

Several other computer resellers have already combined with former competitors. Six of the leading personal computer sales companies in the US have merged into three over the past two months. In the largest merger, ValCom and Inacomp Computer Centers, the two leading computer dealers in the Mid-West, agreed to merge, forming a chain of over 700 company owned and franchised dealerships.

"As a result of the consolidations and mergers that are currently taking place in the dealer channel, an excess inventory position has been created within these operations which will delay their purchase requirements for additional products," Mr Canion said last week.

Compaq is, however, only "the first to pnhlicly admit that there is a problem," says Storeboard. The dealerships that are merging also carry IBM and Apple Computer products, it points out.

The consolidation among computer dealers is far from over, industry analysts predict. If they are right, then computer manufacturers will continue to feel the effects. To make matters worse, leading US personal computer makers who derive more than half of their revenues from outside the US, face reduced earnings from foreign operations as the valne of the US dollar rises against European currencies.

Roche sales rise 9% to SFr3.59bn at four months

By William Dullforce in Geneva

ROCHE, tbe Swiss pharmaceuticals and chemicals group, reported a 9 per cent rise in sales to SFr3.59bn ($2.5bn) during the first four months.

No profit figures were announced but Mr Fritz Gerber, chairman, forecast a further advance in consolidated net earnings for 1991.

Group earnings have more than doubled in the past four years, according to the 1990 report, released yesterday, which for the first time follows international accounting standards.

Net profit per share climbed from SFr104 in 1986 to SFr230 last year, while the dividend has been raised from SFr25 to SFr42 per share over the same period.

Last year Roche recorded an 11.3 per cent advance to SFr948m in net earnings on the back of a 3 per cent advance in turnover to SFr9.67bn. Casb flow amounted to SFr1.6bn.

The result, achieved despite the international economic downturn and the strong appreciation of the Swiss franc, had been impressive hy any standards, Mr Gerber said.

Alcoa to set up European plant

ALUMINUM Co of America (Alcoa) is planning to build a new plant to make aluminium car parts in western Europe, Renter reports from Pittsburgh.

Mr Paul O'Neill, chairman, said: "We are very close to signing an agreement." He would not identify Alcoa's partner in the venture or where the plant will be.

Mr O'Neill said investment in the plant will "be in the tens of millions of dollars".

Mr O'Neill also said Alcoa also is having separate discussions with Japanese car makers on joint ventures that would involve producing aluminium products.

New Spanish bank may pull out of Europartners

MR Alfonso Escamez, the proposed chairman of the Spanish bank resulting from the merger of Banco Central and Banco Hispano-Americano, feels it makes little sense to keep up Hispano's ties with Europartners, an informal banking alliance, Renter reports from Madrid.

Mr Escamez, chairman of Central, who will become chairman of the new bank until the end of 1992, said on Saturday after a meeting of Central shareholders that staying in the Europartners gronp "makes little sense now". He did not elaborate.

The other members of Europartners are Commerzbank, Banco di Roma and Crédit Lyonnais.

Mr Jose Maria Amusategui, Hispano chairman, said last week that Hispano's links with Europartners would be discnssed at the group's next meeting on June 17.

Mr Amusategui said co-operation with Commerzbank, whicb holds 11.4 per cent of Hispano, would continue, but future ties with Banco di Roma and Lyonnais were more difficult to envisage.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

The Bank keeps traders guessing

HOW the Bank of England likes to keep the gilt market in suspense.

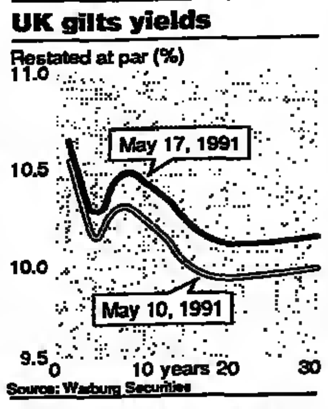
In a week when Spain cut its official intervention rate and Italy its discount rate, the Bank of England declined to deliver what the gilt market had been waiting for – a further cut in the base rate to accompany the fall in the Retail Price Index on Friday.

And on the funding front, the Bank has also kept gilts traders nervously on the edge of their seats: they desperately want to know when it will next issue stock as they are worried that it might be falling behind in its funding programme.

The RPI figure of 6.4 per cent for April (a sharp fall from the March figure of 8.2 per cent) was not quite as low as many had hoped. It was not accompanied by a base rate cut, but that has not extinguished hopes that one may take place this week, for two reasons.

First, on Friday the Bank of England lent £460m to the market for seven days at 12 per cent. The previous Friday it lent £965m to the market at 12 per cent for 14 days. The loans expire this Friday and could coincide with a base rate cut. Mr Nigel Richardson, economist at S. G. Warburg Securities, points out that the Bank of England showed a similar pattern of behaviour in March – in other words holding 14-day money, followed by seven-day money, at a high rate despite market rumours of an impending base rate cut, and then reducing the base rate by half a percentage point after the Budget when the loans expired.

UK gilts yields



Source: Warburg Securities

The other reason – put forward by Mr Simon Briscoe, economist at Greenwell Montagu Gilt-Edged – concerns this week's economic statistics. He expects to see poor retail sales figures and weak money supply figures, and thinks that these may well persuade the Treasury that a further interest rate cut would help the economy out of the recession.

However, much of the nervousness in the market stems from lack of information about the Bank's funding intentions. By mid-afternoon on Friday – the usual time for Bank of England statements concerning issuance – there was still no indication of a tap or impending auction.

Such uncertainty leaves the market unsettled. It feels that the Bank should press ahead with the funding programme given the Public Sector Borrowing Requirement of £8bn, according to Treasury forecasts (although economists expect PSBR to be between £9bn-£12bn once privatisation proceeds have been taken into consideration). "Our forecast £9bn implies gilts sales of £1bn in every month over the rest of this financial year," says Mr Briscoe.

In fact there are some in the market who would like to see the Bank committed to an auction calendar. After all, if the Japanese can hold auctions of Japanese government bonds once a month and the Germans can hold Treasury note auctions every other month, why can't the Bank of England have an auction calendar too, they ask.

Rumours that a "jumbo super-long bond" may be on the way circulated last week: there is speculation that the Bank may issue about £2bn of a 20-plus year gilt with a coupon of around 10 per cent. Although the government has traditionally avoided funding at the long end, leaving this part of the curve open for corporate issuers, there is demand for a long-dated gilt which could be used for pricing long-dated non-gilt bonds.

As it is, institutions are spoilt for choice when it comes to investing, given the recent spate of rights issues from companies who want to reduce their gearing, as well as Eurosterling issues. It may be that institutions are waiting to pick up cheap stock, but the result, according to Mr John Kendall, economist at Baring Sterling Bonds, is that the gilt market has become more dependent on overseas buying.

Sara Webb

GERMAN BONDS

Calm reaction to Bundesbank reshuffle

ANYONE but a stability-oriented central banker might have been faintly miffed that the currency he had loyally defended for 11 years should actually strengthen on confirmation of his departure.

But Mr Karl Otto Pöhl, who on Thursday ended weeks of rumours predicting his resignation, attributed the markets' "calmness" to the fact that "they, correctly, believe there will be no change of policy [under a new president]".

Mr Pohl's insistance that he leaves entirely for personal reasons proved to be the justification markets were looking for – and, even if dealers did not buy the story entirely, there was an element of relief that personal tensions between Mr Pöhl and the government would be over.

In a day of heavy trading as resignation rumours intensified last Tuesday, bund prices dipped briefly below 85.00, but recovered over the rest of the week.

The D-Mark, meanwhile, seems to have shaken off much of the gloom attached to it after Easter. Since the dollar's recent high of DM1.78 before the US discount rate cut, the German currency has improved, and, more significantly for foreign bond investors, there has been a sharp drop in exchange rate volatility.

Germany has also been helped by the downward drift of interest rates elsewhere in Europe. This has eased pressure previously building on the Bundesbank to squeeze short-term interest rates a notch higher.

The general stability of the bund market is partly a tribute to the relative success with which the government continues to manage its extremely heavy borrowing programme. Despite the welter of gloomy news from eastern Germany and tough times for the ruling coalition in Bonn, the latest 10-year bund carries an 8¾ coupon when at the turn of the year dealers were struggling to sell new paper with a 9 per cent coupon.

A broadening range of instruments and issuing techniques has played a role in furthering market depth, liquidity and hence price stability. A further addition to the government's armoury will be tested next Wednesday with the first tender of "Bundesschatzanweisungen".

The bund issues paper into liquid markets at the five and 10-year part of the yield curve; the T-notes will fill out the shorter portion between two and four years.

The instrument itself is not new, but previously issues were sold infrequently and in variable amounts. Now an American-style price auction system is to be instituted every other month, the latest indication that German techniques are edging towards the full US calendar auction system. The market expects a first tranche of DM4-DM6bn, with the central bank keeping around DM2bn for intervention.

What investors still have to ponder is whether they really believe Mr Pöhl. As often, domestic players are more sanguine than international observers that the likely Schlesinger/Tietmeyer succession will herald an unchanged performance at the Bundesbank.

Having already voluntarily checked in the most valuable weapon of all – the threat to go if the government produces a reorganisation plan inimicable to the Bundesbank – could it be that Mr Pöhl waited to announce his resignation until he had a nod from Bonn that the reshuffle would largely meet his specifications?

Katharine Campbell

US MONEY AND CREDIT

Data leave markets none the wiser

A BURST of economic data left the US bond markets little wiser last week. Like the Delphic oracle, the statistics are currently proving enigmatic, contradictory and downright troublesome.

On Monday, for example, the April industrial production figures suggested that the economy was still extremely weak. Production in March was revised downwards by a significant amount, after which April's figure showed a minimal 0.1 per cent rise – albeit the first increase for about six months. The capacity utilisation rate, moreover, dropped from 78.5 per cent to 78.3 per cent. That, in short, seemed to spell a bearish scenario for the economy, and a moderately bullish one for bonds.

But on Tuesday, there was a very large upward revision in the March retail sales figures. The Commerce Department, which had originally talked of sales falling by eight tenths of a percentage point, had redone the calculations and decided that this was really a rise of four tenths. April's decline from this revised figure was also minimal – just one tenth – and well below analysts' forecasts. In sharp contrast to the previous day's news, this looked bullish for the economy. So, shrugging off some more encouraging inflation data, the bond market did a mental summersault, and a wave of selling set in.

Wednesday offered a brief respite from the statistical run. But on Thursday, a further reading of conflicting runes got under way. On the one hand, the annual rate of housing starts increased by 6.2 per cent in April. This may not amount to a boom but, as one brokerage house commented, it does suggest that "the industry is clearly showing signs of stabilising." But then again, initial claims for state unemployment insurance rose by 4,000 in the week ended May 4, suggesting that the corporate sector is still attempting to retrench.

So what does it all add up to? In bond market terms, oscillating prices and little progress. By the end of the week, the 30-year benchmark Treasury bond was showing a change of ½ at 98⅝ from the previous Friday, to yield 8.27 per cent compared with 8.31 per cent.

Out in the real world, there is certainly a sizeable squad of corporate executives who pitch towards the gloomier scenarios. From the dining tables of Dallas to Detroit, many claim that the US credit crunch is still proving every bit as as important a determinant on the level of activity as the downturn in interest rates. Put simply, it doesn't matter how low interest rates go, if no one is prepared to lend to would-be borrowers, "economic stimulation" will not get very far.

More scientifically, analysts at Donaldson, Lufkin & Jenrette point out that the depth of the recession, in the first two quarters, has been relatively shallow compared with previous recessions.

But they go on to suggest that the subsequent recovery may be equally gentle by historical standards. "Our current view, which seems to be in rough agreement with the consensus, is that growth will be more of the order of 3 to 4 per cent during the first few quarters of recovery from the current recession," they state. This would compare with a minimum growth rate of 5.4 per cent during the "recovery" period in the first eight post-World War Two recessions.

If all that is open to the economists to debate, at least the laws of supply and demand are indisputable. There is no question that the recent supply of stock, following $37bn-worth of refunding sales, continued to bedevil the Treasury market.

And the position is unlikely to improve. Next week, the authorities will again offer debt on four of the five trading days. This time, the emphasis will be on the short to medium-term end of the market; included in the sales are $12.5bn of two-year notes and $9.25bn of five-year notes. As Salomon Brothers points out: "These auctions may appeal to a variety of financial institutions, both domestic and foreign, as well as to investors seeking shelter from a nervous bond market or those who hold out hope that the Fed may loosen credit one more notch." But the pundits are quick to add that "the market may need much more help in the form of favourable economic news to absorb this new rush of supply".

On that score at least, there will be little forthcoming next week. The statistical deluge ceases, and everyone will be left to wonder about the economy's progress in silence.

Nikki Tait

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds weekly average	5.62	5.54	5.63	11.00	2.00
Three-month Treasury bills	5.57	5.59	5.91	7.98	5.52
Six-month Treasury bills	5.82	5.86	6.02	8.04	5.82
Three-month prime CDs	5.97	5.95	6.16	9.01	5.95
30-day Commercial Paper	5.87	5.83	6.00	9.95	5.83
90-day Commercial Paper	5.86	5.83	6.01	10.05	5.83

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	99⅜	+¼	7.94	7.96	7.99
20-year Treasury	101¾	+½	8.26	8.34	8.29
30-year Treasury	98⅝	½	8.27	8.31	8.29

Source: Salomon Bros (estimates).

Money supply: In the week ended May 6, M1 rose by $[illegible] to $[illegible]bn

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	250	[illegible]	[illegible]	7.78
ABN 9 1/8 94	200	[illegible]	[illegible]	8.28
AETNA LIFE & CAS 7 3/4 16	200	[illegible]	[illegible]	7.79
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield is redemption of the bid-price. Amount issued is expressed in millions of currency units. [illegible]

FLOATING RATE NOTES: [illegible]

CONVERTIBLE BONDS: [illegible]

WARRANTS: [illegible]

Closing prices on May 17

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Hanson would need to cast its net wide

"MATHEMATICALLY possible, but practically far from easy." That assessment, from a senior official at a US bank, sums up the conventional wisdom among most international bankers about Hanson's ability to raise the necessary funds for a cash bid for ICI.

Nobody would stick his neck out and declare it impossible, however. Assuming that most of Hanson's more than £7bn in cash is accessible – an assumption which most bankers would not be willing to make at this stage – Hanson would need an estimated £5bn from banks to fund a cash bid. If Hanson was willing to pay the necessary premium to banks and did not care too much about which banks were providing the money, it would have a fighting chance of being able to muster an underwriting group.

According to an official at a European bank, enough non-British banks would, if paid enough, be willing to underwrite a big Hanson loan. A mora general ayndication would then await the success of the bid, when some obstacles to banks providing finance would have fallen away. Still, according to bankers, Hanson could not take success for granted for a number of reasons:

● Bank relationships and politics. Most of ICI's "relationship" banks, including the main British clearers, would not take the risk of backing the bid. To its top banks, ICI is worth seven-figure fees annually and backing a bid for its break-up would bring them directly in line of political fire. It is unlikely the Bank of England would stand idle, particularly if the government decided a bid was politically too hot to handle.

On the other hand, Hanson itself has carefully cultivated a wide group of banks inside and outside tha UK. Because of this, Chemical Bank – which bankers guess would lead any financing – would find it easier to gather support than did Bankers Trust for the £13bn consortium bid for BAT Industries first mooted in 1989 by a group led by Sir James Goldsmith.

● Leverage. It is conceivable – even likely – that US regulators would define the bid as a highly-leveraged transaction (HLT). This would put off some hard-pushed potential US lenders. A transaction which results in a corporate leverage ratio – defined as total liabilities divided by total assets – of 75 per cent or more is an HLT. So is one where the liabilities of the company are doubled and a leverage ratio of 50 per cent results.

● Some banks, albeit a shrinking group, will not back hostile takeover bids. "Japanese banks don't like hostile bids," said one Japanese banker last week.

Against this background, the less Hanson has to raise from banks, the easier its task will be. Hanson's chances would be increased if it could line up potential buyers for parts of ICI's business. A powerful ally would also be able to bring in other potential lenders.

Elsewhere, reversing the pattern of last year, UK borrowers remain subdued in the international bank lending market, but a number of deals emerged in continental Europe.

Preussag, the German engineering company, is raising a DM500m, five-year revolving credit through Westdeutsche Landesbank, a prominent shareholder. Avesta of Sweden is seeking a $100m term loan over three years through Manufacturers Hanover, SE Banken and Swiss Bank at an interest margin of 55 basis points. Isveimer, the Italian co-operative credit institution, is looking for $150m over five years via Bank of America at a margin of 35 basis points.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,221.0	360.5	70.0	15,289.4
Prev	1,274.2	0.0	0.0	16,890.6
Other	2,292.5	0.0	173.0	10,786.0
Prev	1,195.9	0.0	171.5	6,913.9
Secondary Market				
US$	17,030.4	943.1	5,136.9	11,809.0
Prev	18,001.9	703.8	7,172.3	8,075.5
Other	25,387.1	761.4	3,629.6	44,946.5
Prev	25,400.5	866.7	2,700.8	35,743.0

	Cedel	Euroclear	Total
US$	19,050.4	33,808.9	52,859.3
Prev	17,120.0	28,998.5	46,118.5
Other	34,441.0	53,735.1	88,176.1
Prev	29,598.0	43,394.3	72,992.3

Week to May 16, 1991 Source: AIBD

AIBD ANNUAL MEETING

Failure to concentrate brings failure and success

THE BOARD of the Association of International Bond Dealers met with hoth failure and success, when memhars rejected a fee increase bnt approved a change of name, at the group's annual general meeting in Hong Kong.

Fears that there would not be a quorum proved unfounded, as attendance, at 62 per cent, was higher than in Amsterdam last year. But the AIBD seems unable to inspire its members to concentrate on the issues in hand. Throughout the meeting, fewer than half a dozen of the more than 500 who attended asked a question or raised a point.

Also at the meeting on Friday, Cedel announced its decision to accept, with certain conditions, proposals by Euroclear, ending the long running dispute between the two Eurobond clearing houses on how to exchange settlement information.

The announcement by Mr Andre Lussi, Cedel's chairman, followed a strongly worded speech by Mr William Watt, who as chairman of the AIBD's Market Practices Committee has tried to mediate between the two sides.

Three of the four proposals made by the AIBD board were accepted at the meeting.

The first, to change the AIBD's name to the International Securities Market Association with effect from January 1992, was designed to reflect tbe broadening constituency of the group and to prove its credibility in lobbying for industry concerns, e.g. in the realm of European Community legislation.

The second proposal contained two elements, which many members felt should have been split. A proposal to protect members from liability to losses sustained by the association was linked to an increase in the annual membership fee from SFr6,000 to a range of SFr7,500 to SFr10,000.

A fee increase, often a contentious issne, was last rejected at the AIBD's Dallas meeting in 1988. This year, many members simply felt unwilling to pay up, with the AIBD in much improved financial shape, while their own firms are facing hard times. Some also resented what they felt was the carrot and stick approach of linking liability protection to higher fees.

But Mr John Langton, chief executive of the AIBD, pointed out that the issues were linked under Swiss law because the range of fees was needed to cover some potential liabilities. "I do not think a lot of people understood the legal implications or niceties," said Mr Langton.

Two other board proposals were carried out without demur. One, to institute a right of appeal for firms which are refused membership, should increase the AIBD's chances of being recognised by the European Community. The lack of such a process "smacked of cartel," Mr Langton admitted. Members also voted to increased the number of proxies allowed at annual meetings, in order to improve representation.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Credit Lyonnais†	300	1998	7	8¼	100.90	Credit Lyonnais	8.574
ANZ Banking Corp(c)‡†	200	1994	3	(c)	100	SBC	-
GECC(f)†	100	1998	6⅔	8⅝	100.40	Kidder Peabody Int.	8.528
St.Cr.Cd.Met.Tst.Ser.A(j)†	1.6bn	1996	6	8½	99.16	Salomon Bros.	8.717
St.Cr.Cd.Met.Tst.Ser.B(j)†	188	1996	5¼	9	99.15	Salomon Bros.	8.193
Export-Import Bk of Japan†	250	2001	10	8¾	99.86	LTCB Int.	8.772
Nestle Holdings Inc.(m)♦†	200	1998	7	5⅞	100	UBS Phillips & Drew	5.875
Canon Inc.♦	370	1996	4	4	100	Yamaichi Int.	4.000
Tokai Kogyo Co.♦	100	1995	4	4	100	Nomura Int.	4.000
Barclays Nth.Am'can Cap.(t)†	500	2021	30	8¾	99.70	Goldman Sachs	9.781
Japan Storage Battery(v)★★†	20	1996	5	(v)	100.20	Mitsubishi Finance	-
STERLING							
Tokyo Electric Power†	150	2001	10	11	101.35	CSFB	10.773
Mtged.Fd.Corp No.4 A1(d)‡†	100	2035	(d)	(d)	100	CSFB	-
Mtged.Fd.Corp No.4 A2(e)‡†	100	2035	(e)	(e)	100	CSFB	-
Woolwich Bldg.Society(n)‡†	100	1998	6	(n)	100	Deutsche Bk Cap.Mkts.	-
ECUs							
Bank of Greece(k)†	400	1998	7	10¼	99.80	CSFB	10.333
Compagnie Bancaire†	200	1996	5	9⅜	101.575	Paribas Capital Mkts.	8.970
LKB Baden-W'berg†	100	1995	4	9	101.425	Deutsche Bk Cap.Mkts.	8.564
CANADIAN DOLLARS							
GECC†	150	1996	5	10	101.48	Goldman Sachs	9.811
Ville de Montreal†	100	1998	7	10¼	101.475	Wood Gundy	10.443
Oesterreichische K'bank†	150	1994	5	10	101.525	IBJ Int.	9.393
Tokyo Electric Power Co.†	200	2001	10	10½	101.575	Wood Gundy	10.241
Credit National†	150	1998	7	10⅜	101.80	Bankers Trust Int.	10.005
Total Cie.Fr.d'Petroles†	100	1996	5	10½	101.65	Deutsche Bk Cap.Mkts.	10.064
AUSTRALIAN DOLLARS							
Tasmanian Public Fin.Corp†	50	2001	10	12¼	100.30	Deutsche Bk Cap.Mkts.	12.196
GMAC Australia Finance†	75	1996	5	11¾	101¼	Hambros Bank	11.408
FRENCH FRANCS							
Societe Generale(s)‡†	500	2001	10	(s)	100	Societe Generale	-
D-MARKS							
Nichii Co.(a)♦†	500	1995	4	4	100	Deutsche Bank	4.000
Daido Metal(i)♦†	35	1995	4	4	100	Yamaichi Int.GmbH	4.000
Republic of Turkey†	350	1996	5	10½	100½	Commerzbank	10.367
Sumitomo Chemical(l)♦†	250	1998	7	5½	100	Daiwa Europe GmbH	5.500
Renown Look Inc.(l)♦†	70	1996	5	4½	100	Deutsche Bank	4.500
DSL Bank(p)★★†	50	1994	3	10	100¼	Sch'ischer Bkverein.	8.700
Canon Inc.♦	600	1995	4	4	100	Deutsche Bank	4.000
Miura Co.♦	100	1995	4	4	100	Nomura Europe GmbH	4.000
SWISS FRANCS							
Tasaki Shinju(b)★★♦†	100	1998	-	3⅜	100	Banca Del Gottardo	3.375
Mita Industrial Co.★★†	80	1996	-	7¼	99¼	Swiss Volksbank	7.311
DSL Bank★★†	30	1996	-	8¾	101⅞	Swiss Volksbank	8.301
EIB(o)†	200	1999	-	6⅝	102¼	Credit Suisse	8.259
Credit Comm.de France(q)†	150	2001	-	7¼	102	Credit Suisse	8.966
Bque.Nationale de Paris★★†	75	1994	-	7¼	102¼	SG Warburg Soditic	8.402
GECC★★†	75	1996	-	8¾	102	Bque.Paribas (Suisse)	6.272
Mobil Aust.Fin.★★†	100	1996		6¾	101¾	SBC	6.331
Okobank†	75	1996	-	7	102	J. Henry Schroder Bank	6.519
ABB Capital BV★★†	75	1994	-	7⅛	102	Credit Suisse	8.372
PESETAS							
Republic of Ireland(g)†	10bn	1996	7	11.90	101.70	Bco.Bilbao Vizcaye	11.434
LIRE							
Ford Motor Credit Co.†	150bn	1995	4	12¼	101⅝	Banco di Roma	11.718
FINNISH MARKKA							
Finnish Export Credit†	300	1994	3	11½	101⅛	Postipankki	11.039
Deutsche Bk Fin.(Curacao)†	300	1996	5	11¼	101.80	Deutsche Bk Cap.Mkts.	10.766
GUILDERS							
Nationale Inv'teringsbk.1	150	1996	5	8	101.15	SBC Inv.Bking.NV	8.707
SWEDISH KRONOR							
Nordic Inv.Bank(u)★★†	400	1998	7	11.4	(u)	Bk of Tokyo Cap.Mkts.	-
YEN							
World Bank†	50bn	2001	10	6¾	99.65	Nomura Int.	6.799
Bridgestone Corp1	20bn	2001	10	7¼	101¼	Nikko Secs.	7.071
Bridgestone Corp†	20bn	1999	8	7¼	101¼	Yamaichi Int.	7.040
Bridgestone Corp†	20bn	1998	7	7¼	101⅛	Nomura Int.	7.041
Bridgestone Corp†	20bn	2000	9	7¼	101¼	Daiwa Europe	7.058
Trips Series Q†	4bn	1996	5	7¾	101⅞	Toyo Trust Int.	7.289
Inter-American Devt.Bank†	35bn	1996	5	7	101⅜	IBJ Int.	6.668
Royal Bk of Canada(r)†	4bn	1992	1	8	100⅞	Nippon Credit Int.	7.063
LUXEMBOURG FRANCS							
K'bank Int.Fin.NV(h)†	2bn	1999	8	9⅛	101.95	KBL	8.776
Volvo Group Fin.Europe★★†	1bn	1994	3.167	8½	102	BIL	8.729
Postipankki★★†	600	1998	7	9¼	101.90	Credit Europeen	8.874
Dieteren Trading BV★★†	500	1996	5	9⅜	101.85	BGL	8.654
Banque UCL†	250	1998	8½	8¼	101.90	Banque UCL	8.833
IPPA Finance Co.BV 91/98†	600	1998	7	8¼	102.15	BCEE	8.825
Bacob Overseas Fin.★★†	500	1998	8½	9¼	101.80	Banque UCL	8.854
Union Bank of Norway★★†	600	1996	5	9⅜	102	Credit Europeen	8.863

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ◆Variable rate notes. †Final terms. a) Exercise premium fixed at 2.55%. Non-callable. b) Exercise premium fixed at 2.51%. Non-callable. c) Coupon pays 25bp over 3-month Libor, payable quarterly. Non-callable. d) Mortgage-backed issue. Coupon pays 35bp over 3-month Libor stepping up to 70bp over 3-month Libor in January 1995. Average life - 1½ years assuming a 20% prepayment rate. Callable at par after January 1996. e) Mortgage-backed issue. Coupon pays 55bp over 3-month Libor stepping up to 85bp over 3-month Libor in January 1997. Average life - 5 years assuming a 20% prepayment rate. Callable at par after January 1997. f) Fungible with existing $250m deal. Non-callable. g) Matador issue. Non-callable. h) Callable from 1996 at 102% declining ½% per annum. i) Exercise premium fixed at 2.6%. Non-callable. j) Credit card-backed issue. Full name of borrower – Standard Credit Card Master Trust Series (1) 1991-1 – a special purpose vehicle of Citicorp. B tranche is subordinate to A tranche. Non-callable. k) Callable and puttable on 29/5/96 at par. l) Exercise premium fixed at 2.88%. Non-callable. m) Each bond carries 90 warrants and warrant holders can buy 1 registered share in Nestle SA per 80 warrants at SFr9,200 per share. Exercise premium fixed at 8%. n) Coupon pays 0.15% over 3-month Libor. Non-callable. o) Callable in 1997 at 100½%. p) Issuer has option to repay at par or by delivery of 28 shares of Veba AG plus cash amount of DM1,160 per DM10,000 bond. q) Subordinated issue. Non-callable. r) Nikkei-linked issue. Non-callable. s) Subordinated issue for principal only. Coupon pays ⅛% over 3-month Pibor. t) Yankee subordinated issue. Callable after 10 years. u) Issue price – 100% after fees. Non-callable. v) Coupon linked to lead price on London Metal Exchange. Non-callable. Note: Yields are calculated on AIBD basis.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWEDEN (continued)

SWITZERLAND

SOUTH AFRICA

JAPAN

HONG KONG

AUSTRALIA

AUSTRALIA (continued)

MALAYSIA

SINGAPORE

Price data supplied by Telekurs.

CANADA

TORONTO

4:00 pm prices May 17

Quotations in cents unless marked $

MONTREAL

4:00 pm prices May 17

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

Composite	3449.74	3456.18	3444.71	3462.39	3571.53 (6/3)	3161.95 (15/1)
MONTREAL Portfolio	1825.53	1830.57	1824.76	1832.13	1888.19 (5/3)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday May 11: Taiwan Weighted Price: 6208.48. Korea Comp Ex. 629.17.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX — 1,000, JSE Gold — 255.7, JSE 25 Industrials — 264.3 and Australia All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 17 May 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Japan Steel	14.8m	780	+20	Tokai Kanko	4.6m	888	+18
Chiyoda	6.4m	2,480	0	Sumitomo Metal	4.2m	1,300	-10
Hitachi Zosen	6.3m	652	+14	Furukawa Elect.	3.8m	818	+20
Hitachi	4.9m	1,130	-10	Toda Constr.	3.3m	1,700	+69
Mitsubishi Heavy	4.8m	733	+6	Fujikura	3.0m	1,040	+55

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stewart Ivory Unit Tst Mgrs Ltd (1500)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♦	5	286.1	286.1	305.4	1.41	41410
(Accum Units) ♦	5	334.7	334.7	357.3	1.43	41411
British ♦	5	785.6	785.6	831.1	5.79	41416
(Accum Units) ♦	5	1257.7	1257.7	1330.3	5.79	41417
European ♦	5	329.3	329.5	351.8	1.51	41418
(Accum Units) ♦	5	353.2	353.2	377.1	1.51	41419
Japan ♦	5	119.5	119.5	126.7	—	41420
(Accum Units) ♦	5	120.2	120.2	127.7	—	41421
New Pacific ♦	5	168.5	168.5	179.2	2.11	46365
(Accum Units) ♦	5	169.8	169.8	180.5	2.11	47954
PEP	5	130.0	131.9	139.6	3.62	47588
Mngd Equity	5	118.5	120.4	127.4	3.66	47596
Mngd Equity Acc	5	122.6	124.6	131.0	3.66	48886
Mngd Cash ♦	5	96.45	96.45	101.2	11.82	47585
(Accum Units)	5	111.7	111.7	117.2	11.82	48267
Mngd Fixed Int Acc	5	118.2	118.2	125.2	6.68	42132
Majority Stg	1	100.38	100.38	101.37	11.51	42703
Majority Stg Acc	1	103.19	103.19	104.20	11.51	46609
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International May 13	0	49.98	49.98	50.38	3.43	46906
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
Sun Alliance House, Horsham 0403 56293						
Equity	6	580.0	588.2	629.1	3.49	41423
North America	6	74.04	74.04	79.19	1.11	41424
Far East	6	93.99	95.18	101.8	0.76	41425
W'wide Bond	6	45.40	45.40xd	48.28	6.20	41426
W'wide Financial	6	34.41	34.41	36.80	3.63	41427
W'wide Technology	6	40.83	40.83	43.67	1.07	41428
European	6	65.04	65.84	70.42	1.59	41429
Equity Income	5	69.44	69.44	74.21	5.41	41430
Portfolio	6	56.90	56.90xd	60.94	3.17	41431
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						
American Growth	6	24.55	24.55	26.26	0.57	47796

	Bid Price	Offer Price	Yield Gross	City-line
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American May 15	154.1	158.3	1.58	40368
Managed May 15	141.6	144.9	3.91	40369
Japan May 16	120.2	123.6	0.08	40370
Sm Jap Cos May 17	572.7	588.4	0.08	40372
Fidelity Investment Services Ltd				
Mngd Pens P'folio	128.5	132.8	3.84	46885
Robert Fleming Asset Mngmt Ltd				
Acc Exempt	£441.65	448.22	1.74	40456
Gen Exempt	£128.67	131.55	3.93	40457
Jap Exempt	£488.68	496.01	1.12	40458
Pacific Exempt	£97.43	99.414	2.43	46888
Contl Euro Exempt	£96.67	90.53	2.26	47674
Indexed Exempt May 16	£129.31	128.33	5.07	46886
Amer Indxd Expt May 16	£97.62	98.66	3.04	47672
Japan Indxd Expt May 16	£66.30	67.62	0.72	47676
Euro Indxd Expt May 16	£95.26	91.15	2.89	47675
P'sen Indxd Expt May 16	£96.83	40.979	2.22	46887
*Funds in Court**				
Capital May 1	503.22	506.92xd	2.42	40505
Gross May 1	190.86	192.40	9.62	40506
High Yield May 1	297.94	300.35	6.88	40507
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	91.11	92.2xd	3.82	40676
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1183.0	1276.0	—	46964
Mngd Pens (Acc)	66.10	70.50	—	41007
Lazard Brothers & Co. Ltd				
Property Jan 3	£2360.0	2675.0	6.00	40777
Inc Gilt Prp Apr 16	£1325.0	1460.0	7.20	40778

INSURANCES

OTHER UK UNIT TRUSTS

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4DJ 071-430 2348

	Bid Price	Offer Price	Yield Gross	City-line
Life Managed Fd	103.9	109.4	–	41924
Pension Managed Fd	101.6	107.0	–	43926
Life Deposit Fd	106.7	112.3	–	41923
Pension Deposit Fd	111.7	117.5	–	41925

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3SJ 0296 395539

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Managed Cautionary	109.7	119.6	–	47150
Managed Growth	134.6	148.2	–	47151
Managed Opportunity	136	150	–	47152
NFMC Target Financial	99.8	107.4	–	47153
Pension Funds				
Managed Cautionary	118.8	129.9	–	47154
Managed Growth	142.1	156.2	–	47155
Managed Opportunity	136.6	150.4	–	47156
NFMC Target Mngd Pens	2470.0	1997.9	–	47157

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	Yield Gross	City-line
Harvester Pension Funds				
Managed	159.7	168.2	–	43141
UK Equity	166.6	175.4	–	43135
Overseas Equity	134.5	141.6	–	43136
Fixed Interest	143.0	150.6	–	43137
Property	129.8	136.7	–	43138
Index Linked	147.9	155.7	–	43139
Deposit	155.5	163.7	–	43140

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	Yield Gross	City-line
Initial Equity	151.5	160.0	–	42995
Accum Equity	216.5	228.5	–	43005
Accum Managed	224.0	236.5	–	43006
Accum Five Star	168.0	177.5	–	43011
Accum World	121.0	128.0	–	43013
Accum Lifetime	110.0	110.0	–	47159
Pens Acc Equity	233.5	246.5	–	43025
Pens Acc Managed	279.5	294.5	–	43026
Pens Acc MU	208.5	220.0	–	43027
Pens Acc Deposit	197.5	208.5	–	43029
Pens Acc Five Star	184.0	194.0	–	43031

Providence Capital Life Assc. Co Ltd
2 Barley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	Yield Gross	City-line
UK Equity Acc	224.2	236.5	–	43411
UK Fixed Int Acc	171.3	180.7	–	43412
Intl Equities Acc	177.9	187.7	–	43413
UK Managed Acc	172.7	182.1	–	43414
Property Acc	225.5	237.9	–	43415
Money Acc	128.4	135.5	–	43416
Special Market Acc	140.0	147.7	–	43417
Japan Equity Acc	105.1	110.9	–	46760
North American Acc	102.5	108.2	–	43419
Pacific Acc	97.0	102.4	–	43420
Technology Acc	121.7	128.4	–	43421
Nat Resources Acc	55.8	58.9	–	43422

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	Yield Gross	City-line
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$760.84		-	95903
Fixed Income Shares	$883.95		-	95904
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Mets Growth	$10.81		-	46000
Yamaichi ISS Sand	$8.03		-	46591
Yamaichi CB Plus Fund	$8.39		-	41335
Thai Inv Fund	$10.85		-	46493

IRELAND (SIB RECOGNISED)

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
GAM Fund Management Ltd (u)						
29 Kildare Street, Dublin				010 353 1760630		
GAM Universal US $ Acc		$-	109.74		-	40331
GAM Universal US $ Inc		$-	109.14		-	40340
GAM Universal DM Acc		DM-	136.67		-	40341
GAM Universal DM Inc		DM-	116.67		-	40342
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		$-	0.99	1.061	-	47441

IRELAND (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
Bank of Ireland Unit Managers Ltd				
Global Scan	$9.84	10.10	-	41795
European Bond	[illegible]	[illegible]	-	95532
Gemstar Portfolio				
EquityAmerica	$11.18	12.18	-	46343
EquityEurope	$9.25	9.81	-	46346
BondAmerica	$10.37	11.01	-	46357
BondEurope	$9.29	9.86	-	46348
BondJapan	$9.91	10.51	-	46360
World Inv Trust	$10.56	11.20	-	46368
Opportunity Europe	$10.92	11.58	-	46364
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$13.77	16.56	1.05	44159
Japan Tech	$66.22	69.54	-	44762
Japan Fund	$27.84	29.24	0.17	44763
Japan New Gortn Fd	$20.71	21.75	-	44764
Malay Sing	$57.31	60.10	0.31	44765
Nth American	$20.31	21.33	0.58	47418

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Hill Samuel Fund Mgrs - Contd.						
International Currency Fund						
Sterling Managed ‡	5½	26.11	26.11	27.63	-	45267
US Dollar Managed ‡	5½	29.49	29.49	31.21	-	45268
Sterling 4 ‡	0	24.89	24.89	24.89	11.48	45269
US Dollar 4 ‡	0	37.90	37.90	37.90	4.73	45270
Deutschemark 4 ‡	0	59.86	59.86	59.86	7.67	45271
Japanese Yen 4 ‡	0	4,839	4,839	4,839	5.99	45272
Swiss Franc 4 ‡	0	46.62	46.62	46.62	6.90	45273
Irish Punts 4 ‡	0	22.12	22.12	22.12	6.46	40652
INVESCO MIM International (Jersey) Ltd						
PO Box 271 St Helier, Jersey				0534 73114		
Jersey Gilt	5¼	[illegible]	0.1679	0.1769	9.33	45451
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey				0534 27561		
Lloyds Tst. Gilt	2½	9.347	9.373	9.608	11.24	46593
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey				0534 606000		
Intl Circuit Portfolio	6	99.99	99.99	106.03	1.65	41027
SIH	3	91.69	91.69	94.55	10.58	46446

For MIM see INVESCO MIM

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428 St Helier, Jersey				0534 76077		
Govt Secs Fd		55.74	55.74	58.22	9.62	46734
TSB Trust Funds (CI)						
PO Box 538 St Helier, Jersey				0534 73494		
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	102.78	102.78	105.86	11.75	45837
Gilt & Fixed Interest	5	101.51	101.51	104.53	[illegible]	43466
Eco Chp & Gilt Edged	5	48.74	48.74	51.98	5.58	45836
International Bond	5	108.92	108.92	114.39	7.52	43472
UK Equity	5	110.35	110.35	120.14	1.62	47572
International Equity	5	108.01	108.01	115.42	0.43	43569
Far Eastern	5	98.44	98.44	105.56	0.00	43461
European	5	84.65	84.60	89.57	0.42	43450
Pan American	5	105.96	110.62	117.45	0.79	43570
TSB Gilt Fund Ltd						
Quarterly Share	3	96.38	96.38	99.42	10.76	45833
Monthly Share	3	95.23	95.23	98.21	10.90	45834

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Barclays Intl Funds

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Wardley Fund Managers (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund (u)

Henderson Management SA (u)

21-25 Allee Scheffer L-2520 Luxembourg

CB Fund International (u)

CM Investment Serial Funds

Capel-Cure Myers Intnl Fd Sicav (u)

Target International Fountain Fund

Templeton Worldwide Investments

GT Management Plc

HM Financial Mngt Intl Ltd

The New Zealand Fund

Newport International Management

Nomura Warrant Fund 1996 Ltd

North Star Fund Managers (Cayman) Ltd

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

هكذا من الأصل

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

No general cut yet

POLITICS AND inflation dominated the foreign exchanges last week, until the dollar received a late boost from technicalities involved in the Swedish krona's linkage to the European currency unit.

UK clearing bank base lending rate 12 per cent from April 12, 1991

There is not much US economic news this week and the spotlight is likely to stay on members of the European exchange rate mechanism.

A cut of ¾ point to 12¾ per cent in the Bank of Spain's money market intervention rate, the main instrument of monetary policy, led to speculation that the Bank of France and Bank of England might follow suit, but there is reason to suggest that a general lowering of rates will have to wait a little longer.

Following the rate cut the peseta weakened temporarily, but at the end of the week the Spanish currency was moving back up towards its ceiling against the lowest placed French franc.

The Bank of France did not immediately follow the Spanish move, possibly not wishing to unsettle the markets as a new French prime minister was appointed.

Pressure from Spain's European partners was believed to be the main reason for an easing of credit policy, but the peseta's reaction indicates that further easing is required to allow France room to cut rates.

Recent reverses for the ruling UK Conservative party suggest that lower bank base rates may be needed to restore the governments flagging fortunes, but Friday's inflation news did not encourage such hopes.

As expected the headline year-on-year rate fell sharply, to 6.4 from 8.2 per cent in April. Nevertheless the underlying rate, stripping out mortgage payments and local taxes, rose to 8.9 from 7.3 per cent, reinforcing the Bank of England's cautious attitude to lower rates.

£ IN NEW YORK

May 17	Close	Previous Close
£ Spot	1.7105-1.7115	1.7500-1.7510
1 month	0.88-0.86pm	0.87-0.85pm
3 months	2.36-2.32pm	2.31-2.28pm
12 months	7.00-6.90pm	6.96-6.86pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

May 17	Bank of England Index	Morgan Guaranty Changes %
Sterling	91.8	-19.7
U.S Dollar	66.3	-13.3
Canadian Dollar	105.3	+2.4
Austrian Schilling	108.9	+11.1
Belgian Franc	110.4	-2.7
Danish Krone	108.4	+3.4
D-Mark	116.0	+23.4
Swiss Franc	112.4	+21.3
Dutch Guilder	112.7	+15.2

OTHER CURRENCIES

CURRENCY RATES

POUND SPOT - FORWARD AGAINST THE POUND

May 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7145 - 1.7465	1.7160 - 1.7170	0.87-0.85cpm	6.01	2.37-2.34pm	5.49
Canada	1.9760 - 2.0060	1.9775 - 1.9785	0.47-0.40cpm	2.64	1.19-1.07pm	2.29
Netherlands	3.3370 - 3.3625	3.3525 - 3.3625	¾-⅝cpm	2.68	2-1⅞pm	2.23
Belgium	60.20 - 61.25	60.20 - 60.30	17-12cpm	2.89	41-29pm	2.32
Denmark	11.3125 - 11.3850	11.3500 - 11.3600	2¼-1½orepm	1.98	5-3⅞pm	1.56
Ireland	1.1035 - 1.1150	1.1105 - 1.1115	0.20-0.15cpm	1.89	0.50-0.40pm	1.62
Germany	2.9600 - 2.9825	2.9775 - 2.9825	¾-⅝pfpm	2.77	1⅞-1¾pm	2.43
Portugal	257.90 - 259.75	258.70 - 259.70	61-33cpm	2.18	26-28pm	0.42
Spain	183.25 - 184.30	183.65 - 183.95	20-25cdis	-1.47	77-88dis	-1.80
Italy	2203.00 - 2212.00	2206.00 - 2207.00	2lirepm-par	0.54	3pm-par	0.27
Norway	11.5270 - 11.5925	11.5825 - 11.5925	2¼-1½orepm	1.94	4½-3¾pm	1.36
France	10.0425 - 10.0975	10.0700 - 10.0800	2¼-2cpm	2.53	5⅝-5¼pm	2.16
Sweden	10.6025 - 10.6660	10.6025 - 10.6125	⅛-⅜orepm	0.21	1½-1⅞oredis	-0.54
Japan	237.25 - 240.10	237.25 - 238.25	⅞-¾ypm	4.10	2⅜-2¼pm	3.79
Austria	20.83 - 20.94	20.91 - 20.94	5⅜-4¼gropm	2.76	13¼-11¼pm	2.33
Switzerland	2.5120 - 2.5225	2.5125 - 2.5225	⅞-¾cpm	3.87	2-1⅞pm	2.90
Ecu	1.4395 - 1.4455	1.4415 - 1.4425	0.26-0.21cpm	1.96	0.67-0.60pm	1.76

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.28-4.23cpm. 12 Month 7.10-7.00pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7145 - 1.7465	1.7160 - 1.7170	0.87-0.85cpm	6.01	2.37-2.34pm	5.49
Ireland†	1.5455 - 1.5730	1.5455 - 1.5465	0.60-0.55cpm	4.46	1.63-1.53pm	4.09
Canada	1.1490 - 1.1515	1.1500 - 1.1510	0.31-0.35cdis	-3.44	0.82-0.88dis	-2.96
Netherlands	1.9110 - 1.9565	1.9555 - 1.9565	0.52-0.55cdis	-3.28	1.43-1.40dis	-2.95
Belgium	34.95 - 35.20	35.05 - 35.15	8.20-10.20cdis	-3.15	23.00-29.00dis	-2.96
Denmark	6.4995 - 6.6175	6.6125 - 6.6175	2.10-2.40oredis	-4.08	5.75-6.35dis	-3.66
Germany	1.6955 - 1.7365	1.7355 - 1.7365	0.44-0.46pfdis	-3.11	1.24-1.27dis	-2.89
Portugal	150.35 - 150.55	150.40 - 150.50	40-55cdis	-3.79	170-210dis	-5.05
Spain	105.10 - 107.25	107.05 - 107.15	65-68cdis	-7.45	174-180dis	-6.61
Italy	1264.00 - 1287.00	1285.25 - 1285.75	5.40-5.90liredis	-5.27	15.80-16.80dis	-5.07
Norway	N/A	6.7475 - 6.7525	2.26-2.56oredis	-4.28	6.40-6.90dis	-3.94
France	5.7550 - 5.8725	5.8675 - 5.8725	1.61-1.66cdis	-3.34	4.34-4.44dis	-2.99
Sweden	6.1020 - 6.2000	6.1775 - 6.1825	3.05-3.30oredis	-6.17	8.60-9.05dis	-5.71
Japan	137.50 - 138.50	138.40 - 138.50	0.22-0.24ydis	-1.99	0.58-0.61dis	-1.72
Austria	11.9600 - 12.0150	12.0100 - 12.0150	3.30-3.75grodis	-3.52	9.00-10.20dis	-3.20
Switzerland	1.4370 - 1.4675	1.4665 - 1.4675	0.28-0.30cdis	-2.37	0.79-0.82dis	-2.19
Ecu	1.1895 - 1.2110	1.1895 - 1.1905	0.43-0.40cpm	4.18	1.09-1.03pm	3.56

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

May.17	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.717	2.980	237.8	10.08	2.518	3.358	2207	1.978	60.25	1.442
$	0.582	1	1.736	138.5	5.871	1.467	1.956	1285	1.152	35.09	0.840
DM	0.336	0.576	1	79.80	3.383	0.845	1.127	740.6	0.664	20.22	0.484
YEN	4.205	7.220	12.53	1000.	42.39	10.59	14.12	9281	8.318	253.4	6.064
F Fr.	0.992	1.703	2.956	235.9	10.	2.498	3.331	2189	1.962	59.77	1.431
S Fr.	0.397	0.682	1.183	94.44	4.003	1	1.334	876.5	0.786	23.93	0.573
H Fl.	0.298	0.511	0.887	70.82	3.002	0.750	1	657.2	0.589	17.94	0.429
Lira	0.453	0.778	1.350	107.7	4.567	1.141	1.522	1000.	0.896	27.30	0.653
C$	0.506	0.868	1.507	120.2	5.096	1.273	1.698	1116	1	30.46	0.729
B Fr.	1.660	2.850	4.946	394.7	16.73	4.179	5.573	3663	3.283	100.	2.393
ECU	0.693	1.191	2.067	164.9	6.990	1.746	2.329	1531	1.372	41.78	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

May.17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.60-8.70	0.75-8.90	8.85-9.00	8.90-9.05	9.00-9.15	9.00
Paris	9¼-9⅜	9-9¼	9-9¼	9-9¼	9⅛-9¼	9.25
Zurich	7⅞-8¼	7⅞-8¼	-	8-8¼	-	-
Amsterdam	8.88-9.00	8.97-9.05	-	9.00-9.08	-	-
Tokyo	7⅞-7¾	7⅞-7¾	-	7⅞-7¾	-	-
Milan	10¾-11	11⅜-11½	-	11⅜-11½	-	-
Brussels	8.87-9.00	8⅞-8¾	-	9⅛-9¼	-	-
Dublin	10⅞-10⅞	10¼-10⅜	10½-10⅝	10⅝-10½	10¼-10⅜	-

LONDON MONEY RATES

Treasury Bills (sell): one-month 11⅛ per cent; three months 10⅞ per cent; six months 10⅝ per cent; Bank Bills (sell): one-month 11⅛ per cent; three months 11⅛ per cent; Treasury Bills; Average tender rate of discount 10.8427 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1991. Agreed rates for period May 26, 1991 to June 25, 1991, Scheme I: 13.07 p.c., Schemes II & III: 13.32 p.c. Reference rate for period March 29, 1991 to April 30, 1991, Scheme IV&V: 12.024 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from May 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8½ per cent; one-three months 11 per cent; three-six months 10½ per cent; six-nine months 10 per cent; nine-twelve months 9½ per cent; Under £100,000 8½ per cent from April 15, 1991, Deposits withdrawn for cash 5 per cent.

PHILADELPHIA SE £/$ OPTIONS

£31,250 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.625	8.16	8.29	8.49	8.65	0.38	0.43	1.84	2.50
1.650	5.96	6.28	6.68	6.88	0.79	1.67	2.65	3.36
1.675	4.04	4.58	5.06	5.32	1.45	2.51	3.66	4.47
1.700	2.55	3.17	3.75	4.10	2.47	3.69	4.94	5.75
1.725	1.56	2.18	2.71	3.08	3.95	5.20	6.47	7.29
1.750	0.86	1.41	1.96	2.31	5.72	6.95	8.14	8.95
1.775	0.43	0.89	1.35	1.66	7.79	8.89	10.04	10.82

Previous day's open int: Calls 382,429 Puts 282,298 (All currencies)
Previous day's volume: Calls 13,171 Puts 8,394 (All currencies)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	Fri May 17 1991 US Dollar Index	% chg ($) since 31/12/90	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/90	Gross Div. Yield	Thu May 16 1991 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index 1991 High	1991 Low	Year ago (approx)
Australia (72)	145.21	+23.0	125.42	127.06	131.06	123.38	+21.2	5.39	146.46	124.44	127.35	129.22	124.25	147.30	112.74	131.82
Austria (19)	200.66	+2.0	173.32	175.62	181.11	177.99	+16.4	1.48	203.76	173.12	177.17	179.78	178.98	222.37	167.00	246.61
Belgium (60)	138.47	+4.7	119.60	121.18	124.97	119.86	+18.8	4.94	139.23	118.29	121.05	122.84	119.66	151.20	121.73	152.70
Canada (117)	136.79	+5.2	118.16	119.71	123.45	113.96	+4.3	3.51	137.11	116.49	119.21	120.96	114.06	141.10	126.49	136.00
Denmark (31)	237.44	+2.1	205.08	207.80	214.30	213.82	+16.9	1.57	241.84	205.47	210.28	213.37	212.98	270.56	217.74	254.04
Finland (21)	113.42	+10.0	97.96	99.26	102.36	95.18	+21.3	2.55	114.47	97.26	99.54	101.00	96.07	125.15	90.61	141.54
France (111)	136.18	+3.4	117.63	119.18	122.90	125.40	+19.3	3.40	138.71	117.85	120.60	122.37	125.28	152.26	121.85	167.64
Germany (88)	108.65	-2.9	93.84	95.10	98.06	98.06	+12.7	2.27	110.63	93.99	96.20	97.60	97.60	125.36	102.43	133.60
Hong Kong (47)	160.14	+31.5	138.32	140.15	144.54	160.11	+31.3	4.27	159.15	135.22	138.38	140.42	159.12	160.14	119.62	121.42
Ireland (17)	152.94	+3.0	132.10	133.85	138.04	139.40	+18.4	4.03	156.20	132.71	135.82	137.81	139.39	162.46	132.86	183.85
Italy (91)	75.98	-3.0	65.62	66.49	68.57	72.94	+10.8	3.25	77.26	65.64	67.17	68.16	72.78	88.23	72.05	106.16
Japan (452)	137.36	+10.1	118.64	120.21	123.99	120.21	+12.4	0.71	137.91	117.17	119.91	121.69	119.91	146.97	118.35	161.12
Malaysia (33)	228.71	+7.8	197.54	200.15	206.41	242.82	+10.0	3.12	227.82	193.56	198.07	200.99	241.37	247.78	192.83	225.22
Mexico (12)	968.19	+65.7	836.25	847.33	873.83	3164.59	+67.7	0.40	976.69	829.82	849.21	861.70	3185.04	995.27	534.45	501.69
Netherland (40)	134.96	+0.8	116.57	118.11	121.81	120.49	+16.8	4.32	139.92	118.88	121.66	123.45	122.20	145.73	125.70	141.60
New Zealand (14)	52.60	+21.2	45.43	46.03	47.47	47.18	+20.3	7.45	52.14	44.30	45.34	46.00	46.78	54.64	41.18	63.90
Norway (30)	200.81	-1.7	173.45	175.75	191.26	183.98	+12.9	1.64	205.53	174.63	178.71	191.34	183.98	223.24	182.24	242.80
Singapore (25)	199.63	+25.3	172.43	174.71	180.17	162.88	+27.6	2.06	200.15	170.05	174.08	176.59	162.71	208.25	151.83	203.19
South Africa (60)	211.43	+15.6	182.62	185.03	190.82	151.04	+10.9	3.74	212.79	180.78	185.00	187.72	151.25	212.78	173.00	190.71
Spain (41)	159.52	+13.7	137.78	139.61	143.97	129.43	+27.4	4.37	164.26	139.55	142.82	144.92	130.78	171.12	131.81	163.30
Sweden (27)	177.31	+11.2	153.15	155.18	160.04	162.22	+22.2	2.70	178.45	151.62	155.16	157.45	160.75	204.12	146.60	202.67
Switzerland (66)	92.05	+3.5	78.51	80.57	83.69	83.72	+19.1	2.33	93.62	79.54	81.40	82.60	83.60	100.67	82.17	101.35
United Kingdom (294)	169.12	+2.1	146.07	147.99	152.62	146.07	+14.8	4.92	173.16	147.12	150.54	152.76	147.12	187.44	156.27	154.94
USA (523)	150.78	+13.1	130.23	131.96	136.09	150.78	+13.1	3.25	150.68	128.02	131.02	132.95	150.68	158.24	125.95	143.23
Europe (936)	136.94	+1.8	118.28	119.84	123.60	120.94	+15.9	3.90	139.90	118.86	121.64	123.43	121.32	151.52	125.50	148.13
Nordic (109)	176.91	+5.5	152.80	154.83	159.67	154.38	+18.5	2.09	179.33	152.37	155.93	158.22	153.66	200.81	155.55	200.14
Pacific Basin (643)	138.06	+11.2	119.24	120.83	124.61	121.23	+13.3	1.05	138.58	117.74	120.50	122.27	120.95	145.92	117.86	149.35
Euro-Pacific (1579)	137.93	+7.2	119.14	120.71	124.48	121.96	+14.4	2.22	139.47	118.49	121.25	123.04	121.97	147.66	121.29	148.43
North America (640)	149.83	+12.6	129.41	131.14	135.25	148.30	+12.6	3.26	149.76	127.24	130.23	132.15	148.22	157.04	125.91	142.70
Europe Ex. UK (642)	117.34	+1.6	101.35	102.71	105.92	106.20	+16.7	3.13	119.67	101.69	104.07	105.61	106.22	129.80	106.85	138.81
Pacific Ex. Japan (191)	145.14	+25.3	125.36	127.04	131.01	129.06	+24.6	4.72	145.39	123.53	126.43	128.29	129.13	145.39	111.40	127.50
World Ex. US (1768)	139.11	+7.4	120.16	121.75	125.55	122.69	+14.1	2.26	140.60	119.46	122.26	124.05	122.70	148.18	122.32	148.83
World Ex. UK (1997)	139.36	+10.3	120.37	121.97	125.79	129.94	+13.7	2.35	139.99	118.94	121.73	123.53	129.80	145.77	120.06	144.70
World Ex. So. Af. (2231)	141.57	+9.3	122.28	123.91	127.78	131.39	+13.8	2.62	142.51	121.08	123.92	125.74	131.36	148.96	122.92	145.32
World Ex. Japan (1839)	145.80	+9.0	125.93	127.61	131.61	137.51	+14.5	3.58	146.96	124.86	127.79	129.68	137.64	152.83	126.69	144.17
The World Index (2291)	141.99	+9.4	122.64	124.27	128.16	131.53	+13.8	2.63	142.93	121.44	124.28	126.12	131.51	149.01	123.28	145.59

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.46 (Pound Sterling) and 123.22 (Local).

The following constituent changes took place during the week ending 17/5/91: Additions: Femsa B (Mexico) and Sandoz (Reg.) (Switzerland). Deletions: Adelaide Steamship (Australia), Femsa (Mexico), David Jones (Australia), Manpower (U.K.), Nouvelles Galeries (France) and Square D (U.S.). Name change: Greyhound Dial Corp. to Dial Corp. Ariz. (U.S.). Norwegian market closed May 17.

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

TOKYO		
One month Bills	7⅞	-⅛
Three month Bills	7⅞	-⅛
BRUSSELS		
One month	8⅞	Unch'd
Three month	9⅛	Unch'd
AMSTERDAM		
One month	9.010	+0.135
Three month	9.040	+0.012
PARIS		
Intervention Rate	9¼	Unch'd
MILAN		
One month	11¼	
Three month	11¼	
DUBLIN		
One month	10⅞	Unch'd
Three month	10⅞	Unch'd

FINANCIAL TIMES STOCK INDICES

	May 17	May 16	May 15	May 14	May 13	May 10	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs.	84.04	84.24	84.20	84.33	84.78	84.94	85.88	82.17	127.4	49.18
Fixed Interest	93.51	93.58	93.57	93.91	94.10	94.11	94.84	90.59	105.4	50.53
Ordinary	1926.2	1938.8	1926.2	1925.3	1942.6	1974.5	2014.5	1606.3	2014.5	49.4
Gold Mines	155.8	156.5	153.9	144.5	144.2	145.7	179.7	127.0	734.7	43.5
FT-Act All Share	1188.02	1196.09	1190.82	1193.31	1203.31	1219.38	1232.32	987.46	1238.57	91.92
FT-SE 100	2453.9	2471.9	2459.4	2463.7	2486.6	2524.3	2545.3	2054.8	2545.3	986.9
FT-SE Eurotrack 100	1118.61	1112.66	1109.43	1118.47	1125.32	1130.52	1130.52	900.45	1130.52	900.45
FT-SE Eurotrack 200	1151.02	1151.25	1146.26	1164.15	1163.36	1172.17	1176.39	938.62	1176.39	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1990: 129.3 and for April 1991: 133.1.

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
50	African Dv Bk 11¼ Ln 2010	98¼	-1.8	1.12	4 Jan 4 Jun	-
100	Asian Dev Bk 10¼pcLn2009	94⅝	-1.8	28.3	24Mar 24Sep	-
75	Int-Am Dev Bk 12½pc 2003	108⅞	-1.6	7.12	8Jan 8Jul	-
175	Do. 9¾pcLn 2015	89¼	-1.9	13.10	15May 15Nov	-
50	Utd. Mexican States 16½pc 2008	120	.....	28.1	1Mar 1Sep	-

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

25 Met. Wtr. 3pc 'B' ..... 52 ..... 1.8 1Mar 1Sep 3961

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Week % change	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	58	.....	7.00	1.11	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	58	.....	6.00	1.2	1Feb 1Aug	2762
-	Do 4pc Mixed Ass.	58	.....	4.00	3.4	1Apr 10ct	2761
1	Hung. '24 Ass.	55	.....	3.57	3.5	1May	2935
40	Hydro Quebec 15pc 2011	123⅞	-1.6	11.90	27.10	31May 30Nov	-

Continued on next page

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Charterhouse Bank Limited
1 Paternoster Row, EC4M 7DH, 071-248 4000

	Gross	Net	CAR	Int Cr
£2,500-£19,999	10.75	8.06	11.16	-
£20,000-£49,999	11.00	8.25	11.43	-
£50,000-£99,999	11.25	8.44	11.70	-
£100,000+	11.30	8.63	11.97	-
$5,000-$49,999	4.50	3.38	4.57	-
$50,000-$99,999	5.00	3.75	5.09	-
$100,000-$199,999	5.25	3.94	5.35	-
$200,000+	5.50	4.13	5.61	-

Many other currencies are available—for rates please phone ext. 2168

Citibank Savings
St Martins Hse, Hammersmith Grove W6 081-741 4941
Money Market Plus

	Gross	Net	CAR	Int Cr
£2,000-£24,999	10.50	8.00	11.07	-
£25,000	11.00	8.50	11.79	-

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE 0752 224141

	Gross	Net	CAR	Int Cr
£25,000+	11.50	8.63	12.01	-
£5,000-£24,999	11.25	8.44	11.73	-
£1,000-£4,999	11.00	8.25	11.46	-

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485

	Gross	Net	CAR	Int Cr
High Int Cheque Acc	12.25	9.19	12.82	-

NOTES— Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0898 43 + four digit code (listed below). Calls charged at 45p per minute peak and 34p off peak, inc VAT

AMERICANS

Market Cap. £m	Stock	Price £	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
12,752.9	Abbott Laboratories	28½	-5.1	2.1	10.4	Fb My Ag Nv	1503
356.4	Allegheny & W 1c	301p	0.7	5.9	–	–	–
1,095.6	Amdahl 5c	949p xd	-3.2	0.6	31.1	Mr Mr Jn Ag	–
3,304.5	Amer. Cyanamid $5	34⅞	-4.5	2.5	27.2	Mr Je Se De	–
6,378.4	Amer. Express 60c	13½ xd	-6.5	4.0	31.12	Fb My Ag Nv	1594
22,662.0	American T. & T. $1	20¾ xd	-2.9	3.8	27.3	Fb My Ag Nv	1597
16,145.2	Ameritech $1	36⅞	-1.3	5.1	28.3	Fb My Ag Nv	–
4,587.3	BankAmerica $1	21½ xd	-7.0	3.3	16.5	Fe My Sp De	1744
2,289.0	Bankers N Y $1	27 xd	-5.3	10.3	27.9	Ap Jy Oc Jan	1745
18,665.3	Bell Atlantic $1	27¼ xd	-0.5	5.1	4.7	Fe My Au No	–
13,494.5	BellSouth Corp	28	-3.4	5.7	5.4	Fe My Au No	–
649.6	Bethlehem Steel $8	8 xd	-2.8	2.8	6.2	Mar Jun S D	1821
506.8	Bowater Inc	1424p	-6.0	5.0	6.6	Oc Ja Ap Jy	1894
700.6	Brunswick 75c	7½ xd	-5.8	3.3	7.5	F My Au N	1989
3,738.9	CPC Intnl 25c	49 xd	1.4	2.4	26.6	Jan Ap Jly Oct	2263
130.9	California Engy	719p	-3.2	–	–	–	–
5,815.4	Campbell Soup 15c	45 xd	-4.7	1.5	4.1	Oc Ja Ap Jy	2050
1,307.9	Chase Manhattan $12½	10¼ xd	-8.0	7.0	26.4	Fb My Ag Nv	2109
1,573.6	Chrysler $6¼	7 xd	-6.7	5.1	13.3	Apr Jul S O	2135
2,944.5	Citicorp $1	8¼ xd	-6.7	6.8	23.10	My Au N F	2141
2,876.0	Colgate-Palmolive $1	21 xd	-12.2	2.9	17.5	F My Au N	2184
885.2	Cont'l Bank Corp $4	777p	-6.4	7.6	11.5	Dc Mr Jn Sp	–
–	Corporate Data Sce	85p	...	–	–	–	–
722.9	Dana Corp. $1	17⅝	-7.2	5.4	26.2	Mr Je Se De	2306
242.0	Data General	077p	-6.7	–	–	–	–
4,713.8	Dun & Bradstreet $1	26⅛	-7.0	4.8	13.2	Mr Jn Sp Oc	–
1,863.6	Eaton Corpn. 50c	31⅛	-5.3	–	2.2	–	2410
383.7	Echlin Inc	6⅞ xd	-1.8	6.0	2.4	Jan Apr Jly Oct	3046
2,889.1	FPL Group 1c	17 xd	...	7.8	25.2	MrJnSepDec	–
2,135.8	Fluor Corp 62½c	26 xd	-6.0	0.7	22.3	Jn Ap Jy Oc	2609
8,606.0	Ford Motor $1	18 xd	-4.2	3.2	29.4	Mr Jn S O	2615
35,864.6	Gen. Elect. 63c	40¾	-4.9	2.9	1.3	Ja Ap Jy Oc	2675
–	General Host Corp $1	451p	-0.2	4.5	11.12	–	–
3,909.9	Gillette $1	40¼	-1.2	1.8	27.1	Mar Jun Sep Dec	2695
11.8	Gt American Bank $1	36p	-18.2	–	28.10	–	–
808.5	Greyhound Dial $1½	20½ xd	2.5	4.0	27.11	Ja Ap Jy Oc	2778
854.5	Hasbro Inc 50c	15⅛	-6.2	0.8	1.8	–	–
2,351.9	Honeywell $1½	33¼	-2.9	2.7	26.2	Ma Jn Se De	2919
2,715.8	Houston Inds.	21¼	-5.0	8.2	10.11	Mr Jn Se Dc	–
34,156.1	IBM Corpn $1¼	59 xd	-5.2	4.8	5.5	Mar Jun S D	2986
1,370.7	Ingersoll-Rand $2	26½ xd	-3.4	2.9	17.5	Mar Jun Sep Dec	2979
1,524.5	Lockheed Crpn. $1	24 xd	-5.4	4.4	15.2	Mar Jun S O	–
602.8	Louisiana Land 15c	21⅛	-9.0	2.8	26.2	June	3222
630.3	Lowe's 50c	1726p	-10.0	1.8	11.7	Jan Ap Jly Oc	–
968.9	Manuf. Hanover $1	13 xd	-5.3	14.4	26.9	Jan Ap Jly Oct	3279
2,346.3	Merrill Lynch $1	21 xd	-6.5	2.7	30.4	Fe My Au Nv	3351
391.8	Molex Inc	15	-2.3	0.1	26.6	Jan Apr Jly Oct	3397
5,569.6	Morgan (JP) $2½	30 xd	-3.4	3.9	20.3	Jan Ap Jly O	3418
34,964.5	Morris (Philip)	37¼ xd	-5.8	2.7	11.3	Apr Oct	5161
7,866.2	NYNEX $1	39½	-3.7	6.8	27.6	F May Au N	4740
–	Pac. Agricultural	42p	...	–	–	–	–
1,050.8	Pall Corp. 25c	18¼	-4.6	1.4	24.1	Fe My Au No	–
1,602.9	Pennzoil 83 1/3c	39 xd	-3.0	4.5	25.2	Mar Jun S O	3630
2,536.3	Quaker Oats $5	33 xd	-2.2	2.8	22.3	Jly Oc Jan Apr	3738
845.1	Rep NY Corpn $5	33 xd	-1.1	2.4	12.3	Jan Apr Jly O	3814
5,632.6	Rockwell Intl $1	15 xd	-2.4	3.5	8.5	Mr Jn Se De	3847
7,403.8	Sears, Roebuck 75c	21 xd	-5.4	5.4	25.2	Jan Apr Jly Oc	5191
8,511.3	Southwestern Bell $1	28 xd	-4.2	5.9	4.7	–	–
1,931.3	Sun Co Inc. $1	18 xd	-4.0	5.8	7.5	Mr Jn Se Oc	4135
3,042.0	Tenneco $5	24 xd	-5.3	7.2	5.2	Mr Jn Sp Oc	–
9,697.2	Texaco $6.25	57 xd	-6.1	5.0	7.5	Mr Je Se De	4200
1,809.3	Texas Instr. $1	22 xd	-5.9	1.9	21.3	Ja Ap Jy Oc	5033
3,955.1	Time Warner $1	68 xd	-5.8	0.9	22.8	Mr Jn Se De	4234
365.1	TRINOVA Corp	12 xd	-3.7	3.1	10.5	June	4309
4,883.4	USX $1	19 xd	...	4.3	1.5	Sep Dec	4380
362.3	Unilab	390p	...	–	–	–	–
3,077.1	Utd. Technologies	25 xd	-4.5	4.2	20.2	Mr Jn Sp Dc	4381
–	Utilitech Inc	60p	...	–	–	–	–
8,135.8	US West	20⅝	-1.8	6.0	14.4	Fb My Ag No	–
18,929.4	Waste Management $1	22 xd	-1.5	1.2	12.3	Ap Jy Oc Jan	4439
1,157.2	Whirlpool $1	1645p	-10.0	3.9	27.2	Mr Jn Se Dc	–
2,285.3	Woolworth $3½	17⅝	...	3.6	26.1	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	Abbot Energy Corp	10p	...	–	–	–	–
1,535.0	Amer. Barrick Res.	1146p	4.7	0.4	–	June Dec	–
2,170.2	Bk. Montreal	18⅝	-2.6	5.8	2.8	Fb My Ag Nv	1029
1,632.7	Bk. Nova Scot.	830p xd	-3.5	6.1	30.6	Ja Ap Ju Oc	1017
–	BC Gas $1	747p	0.3	4.1	30.12	Fe My Au No	–
6,505.5	BCE	21¼	-2.9	6.1	12.6	Ap Jy Oc Ja	–
802.4	Brascan	973p	1.4	5.4	28.10	Ja Ap Jy Oc	–
18.1	Breakwater Res.	28½p	-1.7	17.9	–	–	–
1,869.0	Can. Imp Bank	1591p	-3.3	4.2	29.6	Fe My Au No	1037
3,061.2	Can. Pacific	961p	-5.1	4.9	28.12	Ja Ap Jy Oc	1038
16.4	Do. 4pc Deb £100	35	...	13.2	25.5	July Jan	2051
123.3	Central Cap 'A'	305p	-7.3	10.0	–	Jan Apr Jly Oct	–
37.9	Cons TVX Min.	234p	...	–	–	–	–
365.7	Corona Corp.	222p	-1.3	3.1	5'89	May	–
–	Derlan Inds.	367p	-3.2	1.9	3.6	Mr Jn Se De	–
462.9	Echo Bay Mines	467p	-1.7	0.9	–	June Dec	1070
–	ECO Corp	154p	-13.0	–	–	–	–
15.0	Granges Explr.	69p	9.5	–	–	–	–
691.6	Gulf Canada	449p	-0.2	4.5	26.3	Ja Ap Jy Oc	–
105.1	Hawker Sid Can	12⅞	-7.2	4.3	15.11	Ap Jy Oc Ja	–
465.7	Hudson's Bay	1559p	-1.3	2.6	2.10	Mr Jn Sp Dc	–
9,194.4	Imperial Oil	27⅛	-4.0	3.4	26.11	Mr Je Se De	–
1,982.9	Inco	19	-5.0	2.7	1.8	Ja Ap Jy Oc	–
–	Muscocho Expln.	3¼p	-18.8	–	–	–	–
5.20	Nth West Gold	9½p	46.2	–	–	–	–
4,288.5	Nova Corp of Alberta	431p xd	-1.4	6.2	23.4	Fb My Au No	4215
335.0	Rio Algom	766p	-1.5	5.3	16.4	June Dec	–
9,894.8	Royal Bk. Can.	1291p	-3.7	4.6	18.7	Mr Jn Se De	1180
–	Sonora Gold Corp	8p	...	–	–	–	–
–	Tam Pure Tech. Corp	15p	...	–	–	–	–
2,667.7	Toronto-Dom. Bk	886p	-2.7	4.4	20.5	F My Au No	1207
1,321.5	Trans Can Pipe	855p	-2.8	4.3	1.12	Ja Ap Jy Oc	–
949.0	Varity Corp	140p	-7.3	–	11'77	Jan Apr Jly Oct	–

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,921.1	ABN Amro FI5	£11	-2.9	4.0	4.9	Aug May	1567
1,765.7	ANZ $A1	176	-1.1	10.0	28.12	Jan Jul	1698
3,537.0	Abbey National 10p	278	...	4.7	11.3	Apr Oct	5411
1,072.8	Allied Irish Ord.	165	-2.9	6.1	19.11	Dec July	1354
36.1	Anglo Irish	60	-4.8	7.1	10.12	Jan July	1355
65.3	Ansbacher (H.) 1p	35	-7.9	5.7	2.4	May	1624
1,145.9	Bancaire Cie Fr100	£54 xd	0.9	2.8	14.5	May	2202
4,071.4	Banco Bilbao Viz.	£17⅛	3.7	4.7	9.12	Dec June	–
3,344.1	Banco de Santander	£30⅛	...	3.9	30.4	Apr Oct	–
603.0	Bank Ireland IrE1	188	-3.2	8.0	19.11	July Dec	1360
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES — Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 45p per minute peak and 34p off peak, inc VAT.

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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PAPER, PRINTING, ADVERTISING

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRANSPORT—Contd

INVESTMENT TRUST

INVESTMENT TRUST—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

	Pan Pacific Pet.	5¼		–	–	–	4850
4,283	Petrofina SA	£197½	4.0	4.8	22.5	May	–
40.5	Pict. Pet. 5p	110	–2.7	–	–	–	3659
17.3	Pittencrieff 10p	100	–2.9	6.0	15.4	Oct. May	3360
243.6	Premier Cons. 5p	47	–4.1	–	5.7	–	3711
1,143.3	Ultramar	389	–1.3	4.5	11.3	May Oct.	
2.01	Victoria Pet.	3	–14.3	–	–	–	
986.7	Woodside A50c	140	–2.0	1.4	–	May	
1.14	XCL Sunrise	5	–4.8	–	–	–	

PLANTATIONS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
	Rubbers, Palm Oil						
12.2	Anglo-East Plants.	55		–	11.6	July Nov	1618
13.0	Bertam 10p	79		5.7	29.7	August	1816
275.1	Cons. Plants M50.5	99	–4.9	4.2	11.5	Apr. Nov	4081
264.9	Golden Hope Plts. M$1	34	–5.6	5.0	2.4	Aug Jan May	2839
187.3	Highlands M50c	62	–6.1	7.0	29.4	Jan Nov	2893
334.7	Kuala Kepong M$1	79	–3.7	4.1	25.2	Apr Oct	3109
4.48	Lendu Hldgs. 5p	35		1.2	29.5	Dec Jul	3154
18.0	Rowe Evans Inv. 10p	51	–1.9	5.2	9.7	August	3868
	Teas						
7.13	Moran 10p	160	10.3	0.8	10.12	Jan July	3411
28.6	Williamson £1	1250	6.4	3.6	28 1	May Oct Feb	4512

MINES

Central Rand

4.86	Durban Deep R1	209	–0.5	–	12.86	–	2389

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

9.71	Northgate Expl. C$1	77	–1.3	–	10.77	–	–
4.04	North West Expl.	12	–	–	–	–	–
	Nor-Quest Res		–	–	–	–	–
	Oryx Gold Hldgs.		–3.3	–	–	–	3686
1.25	Owoca Gold IR 2p			–	–	–	1470
6.73	Plateau Mining 20p			–	–	–	3407
5,187	RTZ 10p		–5.2	5.0	5.4	Dec Jul	3880
	Thorco Res. Inc			–	–	–	–
5.21	Vizaya Hldgs 5p		–14.3	–	–	–	4193
11.9	Young Group 10p	117	–0.8	5.5	2.4	May Oct	5080

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 5,000 or more, based on experience of how many of its shares are traded in the typical deal, β Beta refers to all other shares, γ Gamma refers to other traded instruments.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

● "Tap Stock"
c Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
# Price at time of suspension
¶ Not comparable
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¥ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. u Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations; xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	β	650	....			
Finlay Pkg. 5p	β	29	....	Helton Hldgs.	43	2.4
Holt (Jos) 25p	β	1825	....			

IRISH

Cap. 8½% Ln. 1991	£99¼	....	IRG	145	....
9pc Cap Ln. 1996	£98¾	8.1	United Drug	160	....
Fin. 13% 97/02	£114¾	....			
Arnotts	165	3.1			

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	33
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	28
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	88
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds.	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intal	36
Sears	8½
SmKl. Beecham A	50
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	44

Property	
Brit Land	30
Control Secs	3
Land Securities	45
MEPC	40
Mountleigh	8½

Oils	
Aviva Petm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	38

Mines	
Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Sutcliffe Speakman (Section: Chemicals)
Europe Energy (Industrials)
Deletions: Saitama Bank (Banks)
Touchstone (Electricals)
Yala & Valor (Industrials)
Hardangar Prop. (Property)
Drayton Far East Warrants (Investment Trusts)
Lona Star Inds. (Americans)

4:00 pm prices May 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	8¼	AAR Corp	8.86	0.04	12	209	13¼	12⅛	13¼	+¼
18¼	14½	A L Labs A	0.24	0.01	18	171	13½	16¾	10½	−⅛
54¾	40⅞	AMP Inc	1.44	0.03	18	2200	49¾	47	49¼	+½
65⅛	44¼	AMR				183402	61⅛	60⅛	61⅛	−⅛
2⅜	1¼	ARX			2	24	1¼	1½	1½	−⅛
45⅞	41½	ASA x	3.50	0.08	13	398	40½	40	40	−⅛
54	38¼	Abbott Lab	1.00	0.02	21	5255	50½	49⅞	31⅛	+⅛
19⅞	9⅞	Abitibi Pr	6.50	6.04	25	11	19½	19⅞	13½	
11½	16⅜	ACM Gvt In x				536	11⅛	11¼	11¼	−⅛
8¾	8¼	ACM GvOpp	1.01	0.11		78	8⅜	8¼	8¾	+⅛
3⅛	8¼	ACM Gvt Sp	1.01	8.11		187	8⅛	9	8	−⅛
11	8⅞	ACM Gvt Se				289	18¾	18⅛	10⅞	
8⅛	7⅝	ACM Man x	1.01	0.12		547	8⅜	6	8⅜	+⅛
12⅞	11⅞	ACM Managd x	1.50	0.12		398	12⅞	12⅛	12½	−⅛
7¼	4¾	Acme Cleve	0.40	0.07	14	69	6¼	6	6	−⅛
6	3½	Acme Elect			60	42	4⅛	4	4	−⅛
40	23¼	Acuson			26	199	38⅛	34⅛	35	+⅛
17⅞	14¼	Adams Expr x	0.40	0.03	8	34	17⅛	17	17	
20⅛	16⅞	Adobe12Pf	2.40	0.12		12	19¾	19¾	19¼	
8¼	7	Adobe Res			21	434	8½	8	8	+⅛
60⅛	16	Ad Micro				86	34	33½	22½	−¼
14¾	4⅞	Ad Micro P	3.66	8.27	12	3300	11⅛	19¼	11	
5⅛	2¼	Advest Grp	0.10	0.04	5	24	4¼	4⅛	4½	
49⅛	23⅞	Aetna Li	2.76	8.67		71771	40½	40	40¼	−⅛
10⅝	8⅛	Aflr A x	8.24	8.03	34	617	8⅝	8½	8⅝	+⅛

- B -

- C -

- D -

- E -

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- H -

- I -

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- K -

- L -

- M -

- N -

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- P - Q -

- R -

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	36½	S Anita Rt	2.08	0.08	18	45	28	25½	25⅝	-⅛
18¼	11½	SCOR US Cp	0.24	0.02	0	27	13⅞	13¼	13¼	
27	20¼	SPS Techno	1.28	0.04	16	27	32¼	32¼	32¼	+⅛
2⅜	⅞	SaatchiAS			1	494	1⅛	1	1⅛	+⅛
12½	11	Sabine Rt	1.51	0.12	7	44	u12⅝	12½	12⅝	+⅛
9⅝	3⅞	Safecard	0.10	0.02	8	428	8½	8⅛	8⅝	+⅛
12⅞	0⅝	Safeg'd Sc			3	38	12¼	11⅞	11⅞	-⅞
27	25	SafetyKln	0.32	0.21	30	1319	31½	31¼	31¼	-⅛
21⅝	11⅞	Safeway			18	1480	16¼	18⅛	18⅞	
4⅞	2⅞	SafewayW86				163	4	4	4	
35⅞	36⅞	StJoePaper	0.20	0.01	32	z100	58¼	33⅛	55¼	
32	28⅝	StJoeLAP	1.68	0.36	11	8	29½	29½	30½	
4¼	1½	Salant Crp			0	45	3⅛	3	0	-⅛
55¼	43⅛	Sallie Mae	0.08	0.01	17	2287	54⅞	65½	84	+¼
15¼	13⅞	Salomon Br	0.60	0.05		378	12¼	12½	12½	-⅛
34⅝	29¼	Salomonine	0.64	0.02	7	2527	32	31⅞	51¼	+½
45¼	37⅞	SanDgo G&E	2.70	0.07	10	3014	38⅞	38	38⅛	-⅞
4⅞	2¼	SantaFeSDu	1.32	0.42	11	18	3⅛	3⅛	3⅛	
18⅞	18	SantaFeERs	0.15	0.01	48	764	14⅞	14⅞	14⅞	+⅛
30⅛	25	SantaFePac	2.00	0.08	9	26	29⅞	28⅛	36⅞	-⅛
0⅞	3⅛	SantaFeSth				242625	8⅝	6⅞	8½	
41⅞	28⅝	Sara Lee	0.04	0.05	18	3375	38⅞	37½	37⅞	-¼
⅛	⅛	Savin Corp			2	758	0.15	⅛	0.15	
7⅞	1⅞	Savin 0.80	0.08	0.18		13	0	4⅛	5	
29	33½	Scana Corp	2.62	0.07		81631	37⅞	37¼	32⅞	+⅛
40	39	Scecorp	2.64	0.07	10	1874	39¼	39	39⅛	+⅛

[illegible]

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s
1½	⅞	TacomaBoat			1	113
24½	18⅛	Taiwan Fd				70
9¼	4¾	Talleyind	0.20	0.04	0	187
11⅞	7	Talley Pf				8
59½	36⅞	Tambrands	1.20	0.03	22	556
17⅞	9¼	Tandem			17	909
36½	30	Tandy Corp	0.60	0.03		91541
12	10⅞	Teare Mex x	0.02	0.07		139
00⅛	31½	Teco Energ	1.72	0.05	14	391
26¼	18¼	Tektronix	0.60	0.06	19	1134
1⅝	⅞	Telecom Co			8	262
24⅝	14⅝	Teledyne	0.03	0.04	29	708
39⅛	28⅛	TeleEspSA	1.52	0.36		42164
48¼	28½	Templeinl	0.86	0.02	10	1646
18⅞	71½	TempltEmMk	0.10	0.01		77
9⅝	8½	TempltGlob	0.96	0.03		26
0⅞	7⅞	TempltGFd x	0.84	0.17		1328
82	48½	Tenneco Inc	3.20	0.02	13	2087
21⅛	16⅝	Teppco Pla	2.20	0.10	18	190
11¼	6⅛	Teradyne			17	408
0⅞	5⅛	Tesoro Pet			6	38
13	50½	Texaco x	3.20	0.56	11	4084
52	49⅞	Texaco C	3.93	0.56		36
27	14	Texas Ind	0.20	0.01	10	43
47⅝	34	Texas Inst	0.72	0.02	21	2347
28	18½	Texas Pac	0.40	0.02	30	22
36⅛	35½	Texas Util	3.00	0.96		8 1881
10¼	9⅞	Textl Pf	1.10	0.71		z100
6⅞	3⅞	Textl Inds x	1.16	0.18	11	35
35⅝	24¼	Textron	1.00	0.03	19	796
5⅛	4½	Thackeray			19	10

[illegible]

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[illegible]

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[illegible]

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[illegible]

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- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30⅛	28⅞	Xerox	3.00	0.62	9	1587	54⅞	54⅞	84⅞	
50½	42¼	Xerox4.122				11	u50⅞	49⅛	00½	
21¼	14⅛	Xtra 1.94 z				2	12	18	19⅞	-⅛
24⅞	14¼	Xtra Corp x	0.72	0.04	11	4	36½	36¼	20⅞	+⅛
1½	⅞	Zapata			0	180	1⅛	1	1⅛	
8⅞	8⅛	ZenithElec			2	388	5⅞	6⅞	6⅞	-⅛
18¼	13	Zenith Nat	1.00	0.02	70	286	16⅞	16⅞	12⅞	-⅞
0	4½	Zenix Inc x	0.87	0.18		100	5⅞	5⅛	5⅛	-⅛
13⅞	13⅞	Zero Corp x	0.72	0.02	16	07	15	14⅞	14⅞	+⅛
41¼	29¼	Zurn Ind	0.88	0.05	14	701	39	35⅞	35⅞	-⅛
18½	10⅛	Zweig Fund				159	16¼	18¼	12¼	
9⅞	8½	Zweig Tot x	1.08	0.11		458	u9⅞	9⅞	9⅞	-⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices May 17

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4:00 pm prices May 17

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		51	988	29	21	29	
XL Data		18	16	6½	6	6½	+½
Xoma Corp		14	778	28¼	29	28½	+¼
YankeeEnS	1.52	17	288	u23⅞	29	23	
Yellow Fr	0.94	14	271	30⅞	30	30⅞	-⅛
York Rsch		18	676	19⅛	18½	18¼	+⅞
ZionsUtah	1.44	0	x100	42⅞	42⅞	46	

MONDAY INTERVIEW

Cloaked in the mantle of the past

Ion Iliescu, president of Romania, speaks to **Judy Dempsey**

The walls of the underground station in central Bucharest are still covered hy the same graffiti they were e year ago when Ion Iliescu was elected president of Romania.

The slogan *Jos Iliescu! Jos Comunismul!* ("Down Iliescu! Down Communism!) used repeatedly to he scrubbed off, but scribblers soon daubed the walls again, as if permanently to taint the president's past and name. These days, nohody bothers to daub or to scruh.

In London last month, Mr Iliescu seemed energetic and enthusiastic – even relieved. It was one of his first visits to western Europe since the December 1989 revolution that toppled the dictator Nicolae Ceausescu.

But in his homeland, the past hangs over Mr Iliescu, who was swept into power on May 20 1990 in the country's first free presidential and parliamentary elections for more than four decades.

His critics say he refuses, and is unahle, to discard the mantle of his communist past. His edvisers, and the country's young ministers, are more sympathetic and publicly loyal. Bot even they are acutely aware of the heavy legacy the president has inherited.

"You should not have asked him about the miners," one minister said after the interview. "Iliescu cannot give any answer to those events. He relapses into using old communist reflexes and jargon. He becomes defensive. He knows many people will only remember him for those wretched events."

The "events" took place last June 13-15. In those three days, miners travelled to Bucharest, the capital, ransacked the headquarters of the opposition political parties and unleashed a wave of terror which shocked Romanians – and the international community.

For some extraordinary reason, Iliescu thanked the miners fulsomely. His speech was broadcast on Bucharest radio.

"Dear miners," he began, "I thank you very mnch for everything yoo have done over these past days....yon proved again that you are a powerful force with high civic and workers' discipline. You are e trusty people in good times, hnt mostly in bad. You proved again how important workers' solidarity is. We were faced with an ettempted coup by e force of extreme rightist elements, e coup of an Iron-Guardist, and fascist character."

This remarkahle speech reveals much about Mr Iliescu's insensitive political antennae. The content belongs to the old regime – one steeped in xenophobia and paranoia. By June, the Romanian president had not yet broken away from the hollow rhetoric of the past. As a result, sympathy for the revolution almost evaporated. Mr Iliescu is now trying to repair the damage.

Discussing the past upsets his good humour. He spreads his hands, swinging them back and forth as he makes his point. These gestures smother his mild manner, soft voice and smiling face. Old rhetoric takes over; he begins to speak quickly.

"Those days in June were not normal. This political instability was a legacy of the totalitarian system. Order and security were breaking down. Citizens cannot be accused of this. I was not surprised that the miners came from the Jiu Valley. I was not happy; but I did not invite them."

An anonymous Romanian, who has been filming the interview, hardly moves. Iliescn continues to explain:

"I would have been praised if I had been able to manipulate the miners. But they are tough; they cannot be easily manipulated. They were the first to oppose Ceausescu in 1977. The miners were concerned about the political situation. They wanted to restore order. Yon most understand that when order no longer existed, citizens themselves were obliged to make order."

After the miners left the capital, *Romania Libera*, an independent daily, wrote an editorial headed *Miorita*.

The title comes from a Romanian epic poem which tells the story of three shepherds. Two of them plan to steal the sheep belonging to the third, but the third shepherd is warned by Miorita, his fevonrite sheep. However, instead of protecting bimself, the shepherd allows the other two to kill him. He bows passively to his fate.

Romania Lihera's editorial asked if the instability and terror in Bucharest showed that Romanians were passively placing their young and fragile democracy in the hands of fate. It wondered if Romanians held a death wish for their democracy. If so, it would only further isolate them from Europe. Was it not time, the paper asked, for Romanians to place their trust in democratic institutions, instead of blindly submitting to the country's traditions of fatelism end mysticism?

"The *Miorita* – which I learned as a child – has an element of fatalism in it. But then, fatalism is a characteristic of the Romanian people. It protected us against adverse historical conditions. But maybe democracy will allow us to overcome the *Miorita*."

To achieve this new outlook, Iliescu believes Europe and the US cen help Romania strengthen its democracy and introduce economic reforms.

Over the last six months, the government, led by Mr Petre Roman, has drawn up a battery of legislation aimed at paving the way for foreign investment and privatisation. It has already decentralised the economy so as to allow the establishment of private shops and businesses. It has scrapped a number of subsidies, and liberalised prices.

But Mr Iliescu, whose cautious attitude towards economic reforms has been shaped by his communist past, and whose views have often run contrary to the government'e more radical policies, says the country needs credits to finance the reforms and time to introduce them.

"The reforms will have e negative effect on living standards. Liberalising prices leads to higher prices. But external credits to finance these reforms are scarce. As a result, it will be difficult for us to normalise the situation."

Mr Iliescu believes a normal situation would mean, among other things, the US extending most-favoured-nation trading status to Romania.

"I have no intention of criticising the US. But it must be remembered that it was the US which extended most-favoured-nation status to the Ceausescu regime back in the 1970s. And yet the US will not extend it to us. I ask you, why not? If western governments want to see democracy and economic reforms being established in Romania, then they should help us. Stability in Romania is in their interests as well. But they still remain reluctant to help us. *I do not understand why.*"

His advisers say that many western governments could not accept the National Salvation Front's great success in the elections. They thought the Front was a safe-house for former communists.

But despite that victory, the leadership remains bereft of strong, moral figures of integrity who could nudge the country out of its ignominious past to a more stable future. That is one of the terrible legacies of the Ceausescu era.

That insidious regime was able to exploit the country's weak political culture, while the *securitate*, or secret police, could manipulate the population's conformist traditions. As a result, there were no Vaclav Havels or Lech Walesas to transcend the climate of suspicion and lack of truth which pervaded the society.

Mr Iliescu believes the struggle towards democracy will be long. "Romanian society is suffering from suspicion. There is an evil. It comes from inside. The main weakness of Romanian society is that we have not yet managed to create a coherent political environment capable of fulfilling the hig tasks facing us. There is a hatred among the political forces in the country."

He says he does not know how long the suspicion will last.

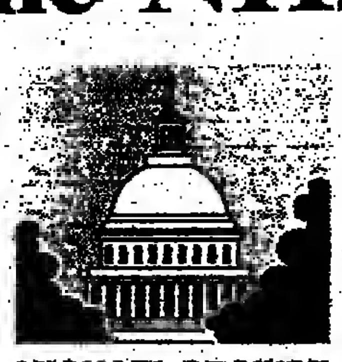
"These psychological problems have not been resolved with the overthrow of the old regime in December 1989. The December revolution was part of the east European process. But in Romania, the process had a more violent form. The overthrowing of the former regime was violent. That has left a mark on the subsequent evolution of events. It will take a long time to have normal political relations. Maybe two *generations.*"

'Maybe democracy will help us over our fatalism'

PERSONAL FILE

- **1930** Born, Olteanita, south of Bucharest.
- **1965** Member of Communist party central committee.
- **1974-79** Candidate member of Political Executive Committee (roughly equivalent to politburo).
- **1984** *Dropped from central committee.*
- **1989** Leader of National Salvation front which aseumed power after Ceausescu overthrown.
- **1990** Elected president.

Be grateful for the NHS



MICHAEL PROWSE on America

Reading British newspapers, I see that the government's reforms of the National Health Service are once again sparking controversy. Living in the US helps one appreciate the benefits of socialised medicine. Here the first port of call at a doctor's surgery is often the "cashier" – who checks your financial credentials with the zeal of a chartered accountant. Cash dispensers are routinely located in waiting rooms.

Consider the following items taken at random from a recent eruption of hostile press coverage of US health care:

● A small girl in Chicago hreaks her wrist. She is in great pain but does not receive treatment for two days. The reason: her mother lacks health insurance and cannot afford treatment at the local hospital.

● A researcher at a US scientific institute wants to leave her joh to spend more time with her children. But she dare not resign. The reason: she has recently been treated for breast cancer and will be uninsurable if she leaves her employers.

You may think these are isolated incidents. The US spends 12.2 per cent of gross national prodnct (abont $660bn) on health care – far more than other comparable countries. (The ratio in Britain is about 6 per cent.) The supply of medicine is entrusted almost entirely to the efficient and entrepreneurial private sector. *Vigorous competition* is a reality, not an aspiration. Contemporary logic suggests that Americans must, therefore, have the best and most cost-efficient care in the world.

If you have good insurance, the quality of care can certainly be high. The US system values speed and accuracy of diagnosis, short waiting periods, rapid dissemination of new technologies and heavy investment in basic research. A recent poll indicated that 55 per cent of Americans are "very satisfied with their family's care" compared with 60 per cent in Canada, 45 per cent in (west) Germany and 39 per cent in the UK.

But anger and dismay about the US system's shortcomings are rarely far from the surface.

The same poll indicated that only 10 per cent of Americans were "satisfied with the current health care system" compared with 56 per cent in Canada, 41 per cent in (west) Germany and 27 per cent in the UK. Why is the system so unpopular?

The answer lies in a mixture of frustration and fear. Americans are frustrated because the reliance on private insurance and large numbers of competing private suppliers has led to huge expense and chronic inefficiency. One anecdotal example: last November my wife had a minor complaint. In the UK it would have meant a quick visit to the local GP and a prescription at the chemist. Here admirable treatment was followed hy a bureaucratic paper chase. In April we were still getting bills from different parts of the system. The total cost was several *hundred dollars.*

This was par for the course: a recent estimate in the New England Journal of Medicine indicated that up to 24 cents of every dollar spent on health care is wasted on administrative and billing costs. The article suggested that the US could save up to $100bn a year if it adopted a system like Canada's, where care is free at the point of delivery and financed out of taxation.

The fear has two dimensions. The first is that health costs are still accelerating. A recent study hy the Congressional Budget Office (CBO) showed that real per capita spending rose faster in the late than in the early 1980s despite the Reagan administration's policy of promoting more competition – and despite tougher regulation of government programmes such as Medicare for the elderly and Medicaid for the poor. Health care is projected to absorb 15 per cent of GNP by the year 2000. The CBO said the problem reflected fragmentation of the system: when one section is squeezed, costs rise elsewhere.

All sectors are affected. Medicare and Medicaid costs are soaring far ahead of projections. The average premiums paid by employer schemes rose 50 per cent in real terms between 1977 and 1987. Many companies are now spending the equivalent of a quarter of net earnings on medical coverage. The cost escalation has prompted a dramatic change of attitudes: polls suggest that up to 90 per cent of employers now favour radical reform of US health care; many are calling for a national system that would force government to bear more of the burden of health costs. Others are quietly winding up their schemes.

The other dimension of fear concerns insurance coverage. A bad illness can tie you to your employer for life because no new insurer will take on a known risk. Loss of a job can instantly put you and your family at risk, because insurance for private individuals (especially middle-aged and older) is prohibitively expensive. The CBO study indicates that the proportion of people without insurance – and thus without reliable access to care – has grown from 12.2 per cent of the population in 1978 to 15.7 per cent in 1989. That is a staggering 39m people. Half of the uninsured have jobs. The remainder fall through the gaping holes in Medicaid which now covers only 40 per cent of the poor.

There is no shortage of proposed solutions, ranging from short-run expansion of Medicaid to the creation of e national scheme along Canadian lines. President George Bush has shown some willingness to confront America's educational problems. If he is to forge a convincing domestic agenda, one of his aims should be to become the "health president". A visit to Britain might be instructive.

JOTTER PAD

A man-eater with no teeth

IAN DAVIDSON on Europe

Mrs Edith Cresson, France's new socialist prime minister, has the reputation of being a tough cookie. When she turns up the power on her smile, you believe it, for hers is a smile which can surely fry oysters et 40 paces. What distinguishes Mrs Cresson from the usual run of tough cookies, however, is that she is also glamorous and charming. Before she fries the oysters, she charms the shells off them.

So you may imagine that, when her appointment was announced last Wednesday, it produced a palpable frisson of anticipation. Here et last, it seemed, was e real carnivorous socialist who would change the world and eat e few Japanese car executives for *déjeuner*. After three years, France seemed to be wearying of the sweet reasonahleness of that nice Mr Rocard; the new prime minister seemed likely to provide a more exciting show.

So far, however, the new spectacle has been something of a let-down. On her first day in office, last Thursday, she *submitted to* e *45-minute* TV interview on her future policies. This was generous, but it proved to be e mistake.

In the first place, she was an hour late for e lunch given by President Mitterrand for the Dutch prime minister; not very dignified. Second, she was supposed to be negotiating the formation of her government. This turned out to be just as complicated as she should have known it would be, with every kind of awkward hiccup, and it dragged on embarrassingly until 9 o'clock that night. We thought she was e man-eater, hnt she turned out to be a carpet-trader without authority.

But the real problem with the TV interview was that it squirted a cold *douche* over our hopes of excitement. For the over-riding impression it left wes that this carnivorous socialist was really all blather and no policy. She was against unemployment and Jepanese imports. Social policy was very important, and so was industrial policy. And education and training. So what was she going to do? Well now...

When Mrs Cresson'e appointment was announced, 97 per cent of the comments in the press and the political establishment were about the fact *that she was a WOMAN, rather* than ahout her policies. We serious chaps were slightly scandalised by this new evidence that the French are hopelessly sexist. But we serious chaps were quite wrong, and not just because sex is a much more interesting subject than politics.

The shocking fact about Mrs Cresson's appointment is that it has revealed that in France the post of prime minister is almost wholly unimportant. The political establishment does not care about her policy views, because they are almost irrelevant: on three fronts she is squeezed hy constraints so powerful that her freedom of manoeuvre is close to zero.

The first constraint is that the Fifth Republic is a presidential regime. The constitution says that the government decides policy, but that's for the birds: all the main policy objectives of a socialist government, and all the leading ministerial appointments, need the approval of Mr Mitterrand. The second constraint is that the main policy objectives have been *set*, and are not *about* to he changed. Centre-piece of these objectives is the over-riding priority of France's European policy, first in terms of the management of the economy and the maintenance of a strong franc, second in building e liberal, federal Europe.

The third constraint comes from the barons of the Socialist party, many of whom control a party faction, and all of whom claim e share of the ministerial spoils. Most of the important seats are being occupied by the same ample bottoms in the new government as in the old. One reason the carve-up dragged on so late was that she spent hours trying to persuade Mr Lionel Jospin to give up the education ministry. She failed.

The combination of these three constraints leaves little room for Mrs Cresson. By instinct she is obviously itching to wage economic war against the Japanese; hut it looks as though she has already surrendered every last sliver of that option, in the composition of her government. Mr Pierre Bérégovoy, finance minister, is among the many people she has quarrelled with in the past, and an economic liberal to boot. But since he is the god-father and guarantor of the credibility of the strong franc, it was imperative to keep him. His price for staying was an extension of his powers, to control trade and industry policy.

A wicked cartoon in *Le Monde* summed up the situation. Mr Mitterrand is holding up e smiling, doll-sized figure of Mrs Cresson, who is completely enclosed in his fist. "I have chosen," he is saying, "a woman with e firm grip." Former President Valéry Giscard d'Estaing put it slightly differently: "There has been no change of government."

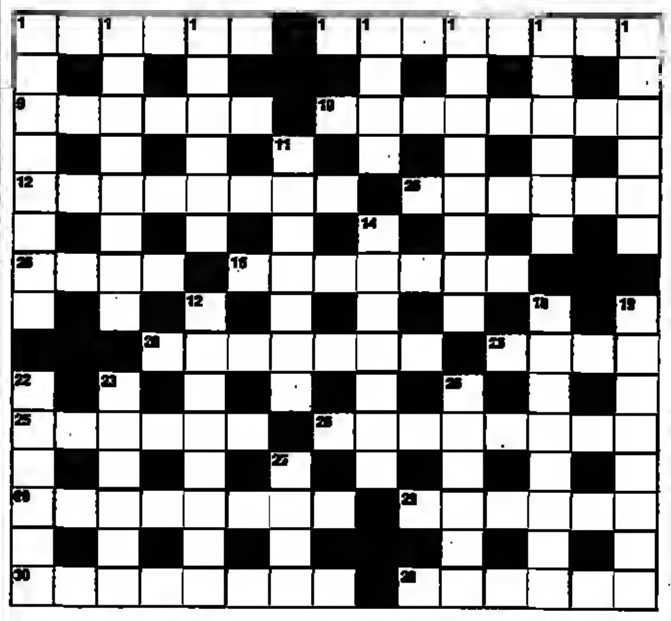
The constraints on Mrs Cresson's freedom of manoeuvre prompt the question: what are governments for? In the old days, we used to assume that the primary function of government was the management (or rather, mismanagement) of the economy. British governments have until recently continued to act as if they had the right and the power to debauch the economy and enrich their friends for the sake of electoral edvantage. Manifastly, that urge is still strong in London. But memhership of the Exchange Rate Mechanism means it must be contained.

The French, hy contrast, gave up the freedom to manipulate the economy eight years ago, when they locked onto their *anti-inflation strategy*. This is one reason the French economy is in much hetter shape than the British. In effect, French macro-economic policy is determined in Frankfurt; therefore, the French would prefer to shift the decision centre to Brussels.

As a result, the central pre-occupations of the Rocard government were the really recalcitrant structural problems, like unemployment, education, social security, pensions, health, immigration, integration, urban deprivation. The chances are that they will still be the central pre-occupations of the Cresson government, because they demand attention; not some mythical *economic crusade against Japan.*

CROSSWORD

No.7,547 Set by PROTEUS



ACROSS

1 Desired objective for sailor to attain (6)
4 Respectably conducted flat (8)
9 Unexpected output on a railway system (6)
10 Outstanding fish or bird (8)
12 Shrink from undertaking (8)
13 Cut in requisition (6)
15 Take e second portion in comfort (4)
16 Region where mercy may be found (7)
20 Talk foolishly about the Spanish clergyman (7)
21 Pretext for lawsuit (4)
25 Left with the hard work (6)
26 Send message (8)
28 Bare girl in dance (8)
29 Dark and inequitable? (6)
30 He is opposed to bringing nurse to soldier (8)
31 Go regularly to listen (6)

DOWN

1 Politician concerned with overall protection perhaps (8)
2 Scarcity prized hy some meat-eaters? (8)
3 The realm of the politician in Ireland (6)
5 Animal brought up with children (4)
6 He'll fix it for artist to go round with guide (8)
7 Where money may be found (6)
8 Hosiery ending in narrow point (6)
11 Moral objection of little weight (7)
14 Waste food (7)
17 Model baving foreign currency difficulties (8)
19 Event calling for removal of jumpers? (4,4)
19 Woman kept in without being understood (8)
22 Horse writer (6)
23 Sailor taking girl for holy woman (6)
24 Instrument fixed with internal fastener (6)
27 Sea-girt territory where I will shortly be heard (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 1.

FINANCIAL TIMES SURVEY

TURKEY

Foreign companies see Turkey as a stepping stone to the USSR, **Page 2**

The crisis on the south-eastern frontier worries the army, **Page 5**

SECTION III

Monday May 20 1991

President Ozal believes that only democratic reform can secure Turkey's identity as a modern European state. Few Turks welcome his plans to revamp the constitution but fewer still seem prepared to countenance the alternative.

John Murray Brown reports

Undecided over reforms

RADICAL reformer or just another able technocrat, Turks could soon have a chance to deliver their own verdict on President Turgut Ozal the tubby engineer who has the run the country since 1983.

After seven years urging the business sector to ever greater endeavours, the Turkish leader is turning his attention to the country's political institutions, in the belief that only democratic reform can secure Turkey's identity as a modern European state, and win the international recognition he feels the country deserves.

With parliamant increasingly sidelined, President Ozal is making a direct appeal to liberal public opinion to support a programme which if fully implemented would add up to one of the biggest changes since the founding of modern Turkey by Kemal Atatürk.

If few Turks welcome the way the president is prepared to overhaul the constitution, fewer still seem prepared to countenance the alternative.

Turkish political life, the management of the economy, even some of the fundamental tenets of Turkish foreign policy seem caught in a state of suspended animation.

Internationally, the picture is equally unresolved. Turkey's friendship with the US has been strengthened by the Gulf war but this cannot compensate for tba disappointment served up by the European Community which politely shelved Turkey's application for membership in December 1989. On security, many of the comfortable certainties which once underpinned Turkey's role in western defence thinking are being reviewed.

For all Mr Ozal's lofty pronouncements Turkey's strategic future has still to be shaped, its traditional role as a buffer to Soviet expansionism eclipsed by the warming in East-West relations.

Turkey's membership of the North Atlantic Treaty Organisation has long been a central plank of foreign policy and a vital platform for the government's broader European ambitions. Turkey's concern is not to be locked out of any new security architecture being constructed in Europe, in the wake of the Gulf war.

On the political front, the Motherland party (ANAP) which Mr Ozal founded, seems to have lost its way.

The party displays the all-too-familiar traits of a minority government sliding inexorably towards electoral defeat. The cabinet is divided, economic policy is in disarray, while the state bureaucracy, once the pillar of ANAP's support, seems demoralised. Perhaps only the failure of the opposition to exploit the situation can salvage the party.

After a decade of unprecedented growth rates, few Turks can say they are more content. The economy is still growing – 9 per cent in 1990. But it suffers tba combination of uneven growth, spiralling public deficits and chronically high inflation.

For many Turks inflation provides the most graphic evidence of the government's failure. The rate has rarely slipped below 50 per cent and today is above 60 per cent.

The political reforms envisage lifting the bans on both Islamic and communist political parties. Turkey's Kurds will be able to use their mother tongue – although already allowed in practice it is a move which represents the first gesture towards this troubled minority of 10m people.

Reform of the penal system, the subject of criticism from human rights groups, is envisaged, part of which involves a general amnesty for prisoners. This would appear to include members of the rebel Kurdish Workers Party, a marxist guerrilla group which since 1984 has been fighting for an independent Kurdistan.

Equally important, as part of a range of measures, the Turkish president is orchestrating a campaign which if successful could see the bead of state directly elected by the people, a move which would bring Turkey closer to s full presidential system. Linked with the changes the new system envisages increased powers for the executive, in effect legitimising what is already happening in Turkey. In announcing the package, the president probably has one eye on his foreign audience. But Mr Ozal is a politician too. The timing is no doubt shaped by other considerations closer to home, with the president all too aware that a defeat for ANAP in the elections could mean an end to his own political ambitions.

President Ozal's immediate task is to secure the backing not just of Turkey's westernised secular middle class bnt the broad mass of the country's 57m inhabitants almost half of whom still live in rural areas where conservative Islamic values prevail.

In party political terms, the liberalisation programme will be seen as another taunt to the nationalist right-wing thinking of the ruling Motherland party.

ANAP is struggling to put its bouse in order. Mrs Semra Ozal, the president's ambitious spouse, has been the focus of bitter bickering after her victory in the all-important ballot for the Istanbul party chairmanship in April.

Ironically, conservatives may well feel their wings further clipped after the decision to lift the constitutional ban on Islamic politics, whicb could lead to defection of more radical ANAP supporters to new Islamic organisations. Convincing those guardians of the secular state, the military, historically an important constituency in Turkish politics, may yet prove the hardest test. Yet all of this may well be overshadowed unless the government can get to grips with the economy. Mr Rüşdü Saraçoglü, the central bank governor, and a pivotal figure in Turkey's economic recovery in the 1980s says without a firm commitment to cut the public deficit, he cannot announce a monetary targets for 1991.

The central bank's money programme is largely credited with helping to restrain inflation last year to about 60 per cent.

The privatisation of state companies is making modest headway – the sale of a minority stake in Petkim the state petrocbemical concern being the highlight of a rather indifferent year.

Mr Isin Celebi, the economics minister, has promised to and the state monopoly of tobacco. He still has to address the wider problem of farm subsidies, once seen as the universal cure for an ailing agriculture.

A sense of economic drift is spreading. Tusiad, the businessman's lobby, is now feeling the effect. Its members are calling for early elections, complaining policy indecision makes budget planning all but impossible.

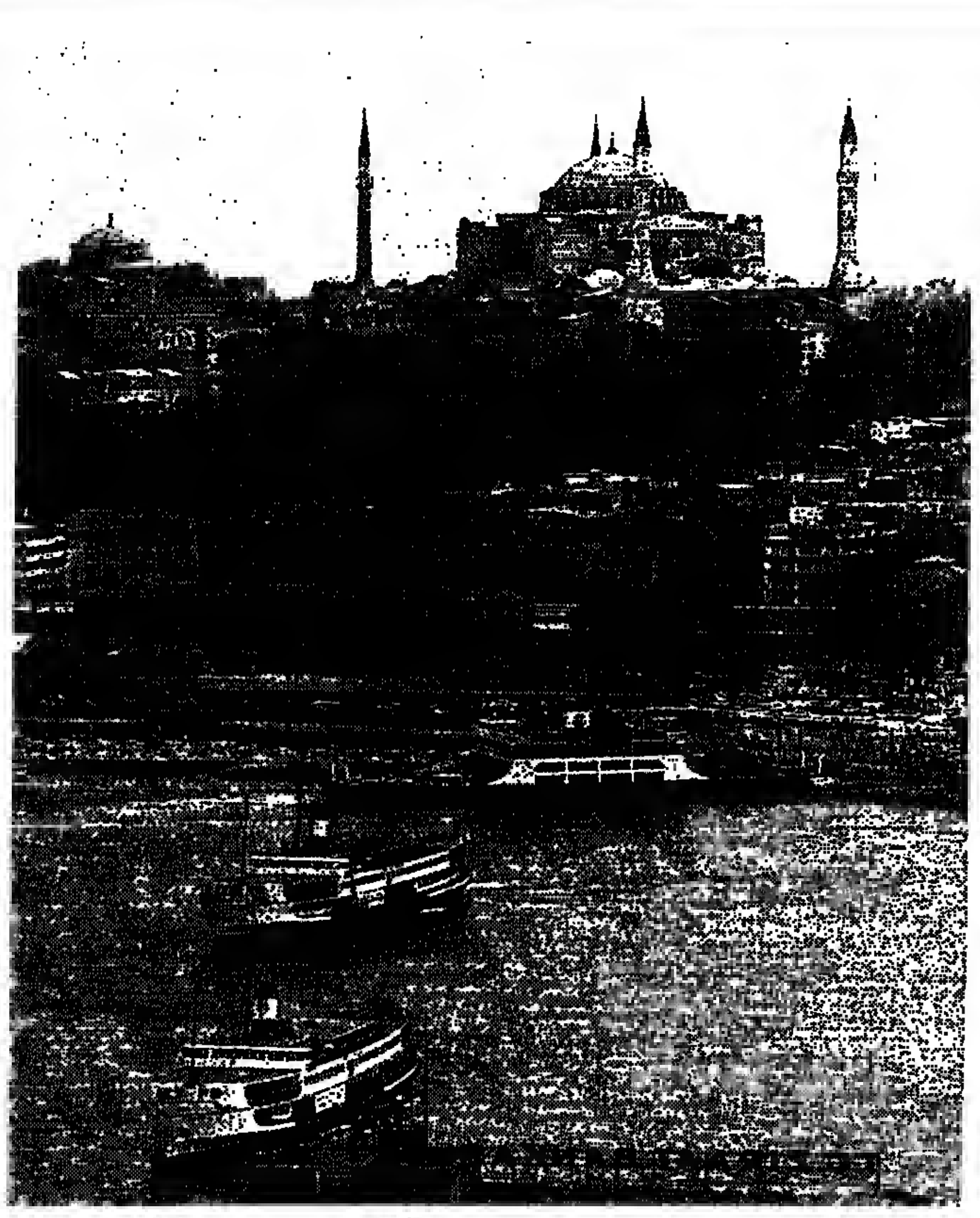
Meanwhile, unions seem increasingly inclined to challenge the country's restrictive labour laws. Union discontent covers a host of issues from the 60 per cent rate of inflation to opposition to Turkey's role in the war. President Ozal warns tbat tbe unions' demands could set the country back 10 years.

The problems are coming home to roost after a decade when wage restraint has provided one of the main factors behind Turkey's export drive.

With the election due in less than 18 months, no one will confidently predict tbe outcoma. The cohabitation within ANAP, a marriage of convenience at the best of times, is looking more than usually strained.

Tba party meets in Juna when Mr Yildirim Akbulut is expected to be challenged for the ANAP leadership. A recent opinion poll sbowad ANAP running fourth behind the conservative True Path party DYP, the Social Democrat SHP, and the leftist party of former socialist prime minister Bulent Ecevit. Only tha fear of many deputies losing their seats is likely to prevent s irreparable split with the ANAP.

At this stage probably the best that ANAP can hope for is a coalition with the DYP. But given Turkey's turbulent political history, with the military intervening three times in the past 30 years, the prospect of a weak coalition hardly commends itself.



Looking over the Gokden Horn towards Eminonu

IN THIS SURVEY

Editorial production: Phillip Hellidey

■ECONOMY: ministers diffuse talk of a crisis

Gulf war proves to be a mixed blessing

THERE comes a point where it is difficult to tell the electorate that everything is fine while going cap in hand for assistance to your foreign friends.

It would be a mistake to overstate Turkey's crisis. In many countries at a similar stage of development it would probably seem a luxury to even debate the need for a medium-term strategy, as the Turks are doing.

Turkey's economy hes reached e point where policy is in disarray, ministers are under attack from the state hureaucracy and the fundamental problems of inflation and public debt have to be resolved. "We don't have any crisis today. This is a structural problem," insists Mr Isin Celebi the state minister in charge of the money and credit commission and responsible for the state planning organisation.

Business is certainly leaner and more confident. Corporate Turkey today is moving inexorably towards economic integration with Europe in spite of the continuing political wrangle about full EC membership.

In some respects Turkey is still digesting the effects of 10 years of deregulation, as orchestrated by Mr Turgut Ozal first as prime minister and since 1989 as president.

"It's no longer the economy of the 1970s. It's now so responsive to policy mistakes," says a senior western economist.

A run on the currency in the first week of the Gulf war underlined not just the economy's vulnerability to external shock but also its flexibility in dealing with the problem. All that was required was a call to the German Bundesbank and three hours later Turkey had delivery of DM500m in new banknotes to satisfy demand for hard currency.

The Gulf crisis proved something of a mixed blessing. Estimates vary as to how much Turkey lost. The government puts the figure at about $5bn, in revenue lost from the Iraqi oil pipeline, and transport and tourist receipts.

Aid flows from Turkey's role in the war have undoubtedly taken some pressure off the balance of payments. According to the treasury, contributions from Turkey's donors, either grants or tied aid soft loans, which must be spent with the lender country – will cover half of the projected $4bn required in 1991 to service Turkey's $49bn foreign debt.

The problem is one of timing with much of the aid committed but not yet disbursed. Turkey's foreign exchange reserves stood at about $10bn in April, enough to cover six months of imports. However, a $2bn fall in reserves since December suggests the government had trouble meeting repayment schedules.

To help it over the hump, the World Bank is reviewing the disbursement of various sector loans whereby the bank would take over some of the Turkish portion of the funding.

Bankers expect Turkey to re-enter commercial markets in 1991, where traditionally it has played an important role in Eurobonds. Turkey's last medium-term credit was in early 1990. Since then Turkey's ability to borrow has eroded appreciably. Gulf banks continue to have special problems. While western and Japanese banks are seeking to limit their exposure to meet the Bank of International Settlements capital adequacy ratios.

On the current account, the deficit is expected to stabilise at less than $3bn for the coming two years. The strong lira policy which resulted in record high trade deficit in 1990 of over $9bn seems to have run its course. In the first 4 months of 1990, the lira depreciated in real terms against the dollar by more than 30 per cent, which should help exporters.

Turkish interest rates are rising though they continue to be negative in real terms, which has helped reserve position by encouraging inflows of foreign capital.

Corporate lending, at least since the start of the year, has more or less dried up, banks preferring to play the foreign exchange markets. However, as the election approaches – it has to be called before the autumn of 1992 – Turkey's main preoccupation will be in managing the public purse.

Mr Celebi is confident the government will be able to reduce the public sector borrowing requirement to 5-6 per cent of GNP over the next two years. Large tax reforms, he says, are unlikely until after the upcoming election. But even without a big adjustment, Mr Celebi believes inflation can be contained at the current level of 50 per cent.

"Its now no longer a problem of economics its a question of physics," says a Turkish banker. "You can build a series of little dams but in the end this won't be enough."

The central bank has all but abandoned it's monetary programme – which by keeping the growth of its own balance sheet below nominal GNP was largely responsible for containing inflation to about 50 per cent in 1990.

Unions are displaying a new boldness, taking to streets in the case of the miners' strike in November.

There is talk of cutting farm support, to bring prices closer to international levels. However, ministers concede there will be still a healthy dose of subsidy for the farmers. In wheat economists say any such move would mean a 20 per cent drop in nominal prices.

On the state enterprises, Turkey is committed to a privatisation. But in an election year, few governments could be expected to set out on a radical programme given the likely effect on employment. Turks may well feel they have seen it all before in the run-up to the election of 1987.

The accumulated deficits of the central government, the state enterprises and the burden of farm support prices stifle the private sector, which President Ozal's reforms were intended to promote. The PSBR was calculated at about 9 per cent of GNP in 1990 and is targeted to fall to 7.5 per cent this year.

"I have done my side and collected the revenues but the spending side is not that bright," conceded Mr Adnan Kahveci, the finance minister.

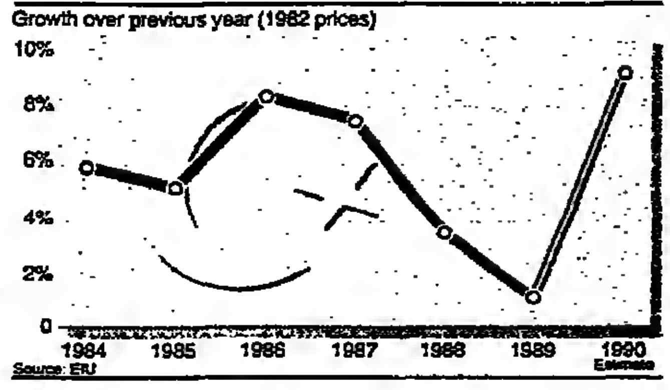
The difficulties financing the public deficit are exacerbated by the narrowness of the tax base, the immaturity of Turkish capital markets and the government's concern to contain its foreign borrowing.

Government issues, such as treasury bonds, account for 90 per cent of capital market activity, crowding out the private sector's need for investment funds. This puts upward pressure on interest rates adding further to industry's costs. What the government cannot borrow through treasury bills is borrowed from the central bank, in effect printing money. This, the economists say, is the fundamental cause of Turkey's sustained high inflation, which is sure to be the overriding issue in the forthcoming election.

John Murray Brown

Real GDP

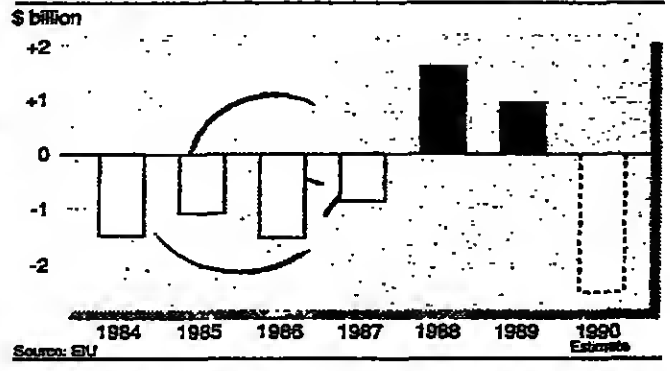
Growth over previous year (1982 prices)



Source: EIU

Current account

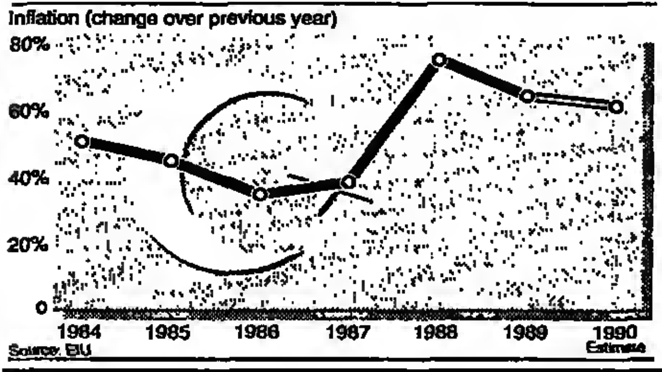
$ billion



Source: EIU

Consumer prices

Inflation (change over previous year)



Source: EIU

■SOVIET TRADE: more than trebled since 1987

Stepping stone to USSR

NEXT month could see the finalisation in Moscow of the agreement on the Black Sea co-operation zone, a Turkish initiative to forge common policies on issues such as fishing, marine resources transport and free zones.

This is the latest in the web of political bonds which have led to an increase in Turkish-Soviet business. During President Turgut Ozal's visit to Moscow in March to initial a new bilateral co-operation agreement, talks concentrated on a $200m telecommunications deal, a new $300m Turk Eximbank credit, the establishment of two joint banks, and the promotion of Turkish agricultural products.

Since 1987 Turkish-Soviet trade has more than trebled to $1.8bn last year. Turkish contractors have built up a formidable order book. Whether or not they win a share of the reconstruction work in Kuwait, they have become a force to be reckoned with in the Soviet Union with some $1.5bn-worth of projects either in hand or with secured financing in place.

An increasing number of foreigners see that Turkey, like Finland, can provide a stepping stone to doing business in the Soviet Union.

The critical factor is finance and here Turkish companies have three advantages:

● The Soviets' obligation to spend 70 per cent of the hard cuarrency they receive from exporting natural gas to Turkey on Turkish exports.

● Eximbank which has been extending naw loans to Moscow at a time when the credit lines of other countries are drying up. Since 1989 Turk Eximbank has made $1bn available and is finalising details for a $200m food finance facility.

● Extensive experience in dealing with Turkey's bureaucrats which gives them the patience and flexibility to cope with the even more intricate procedures in the Soviet Union, particularly now that the division of authority between the centre and the republic has become blurred.

Add into this the Turks' special links with the 42m Turkic peoples in the Soviet Union in particular in Azerbaijan and the central Soviet republics, and some of the reasons for the Turks successes become clear.

Exports range from pharmaceuticals, foodstuffs and vegetable oils to iron and steel and telecommunications. The $200m credit agreed during Mr Ozal's visit may well be used for projects such as a secure line system to improve links between the capitals of the 15 Soviet republics. Netaş and Teletaş the Turkish PTT's joint ventures of Northern Telecom and Alcatel, are discussing a manufacturing link up in the USSR, on the back of their digital switching and transmission equipment operations in Turkey.

Other recent agreements include Sandoz's deal to export over $100m of sunflower seed to the Soviet Union taking sunflowers in payment and a $218m contract for grain flour and pasta export agreed by the Turkish Soil Products Office.

On the contracting side, the Turkish company Enka recently opened the renovated Petrovski Centre in Moscow and Eczacibasi is restoring the Soviet Ministry of Health. Other companies have been building hospitals clinics, hotels, housing and factories – and being paid. Turkish companies are involved in consortium talks with German and Finnish companies for projects to rehouse Soviet troops leaving eastern Europe. The Soviets would like them to work with the higher cost German companies on projects to be financed by Bonn's DM7.8bn aid programme.

The $350m-worth of light industrial projects being financed under a 1990 Turk Eximbank line offer prospects for joint ventures. These are mainly in food processing, particularly for babies.

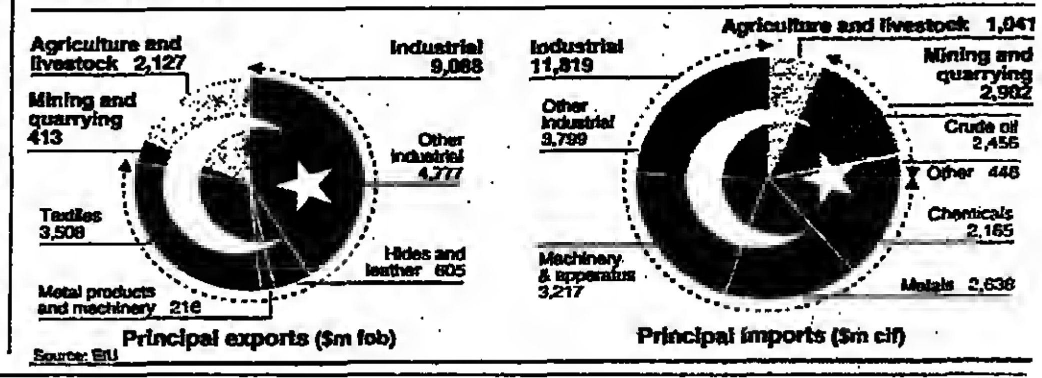
Some of the Soviet Union's specialists are just starting to eye business opportunities in Turkey. These include work on the Istanbul metro, tunnels on the Adana-Pozanti motorway, and rail electrification.

More intriguing is Aeroflot's joint venture with Turkey's Net Holding and Ali Sen. The company, Greenair, is Aeroflot's first foreign link up. The operation is incorporated in Turkey, not the Soviet Union, in view of its more workable commercial regime.

David Tonge

The author is general manager of IBS Istanbul business consultants

Trade 1989



Source: EIU

■POLITICS: opinion polls suggest all the large parties are out of favour with the voters. **David Barchard** unravels the mystery

Lots of questions but very few answers

Players in an electoral conundrum: from left; President Ozal and his wife Semra, opposition leaders Demirel and Inönü, presidential candidate Yilmaz and Keçeciler minister of state and Islamic conservative

GENERAL elections are not due in Turkey until November 1992, most Turks will tell anyone who asks them that this is probably an election year.

Ask them who will win, however, and no one can give a clear answer. Mysteriously the opinion polls suggest that all the large parties are out of favour with the voters, while the smaller ones have more or less disappeared off the map.

The root cause of this paradox is that President Ozal and his Motherland party are deeply unpopular, but even their critics conceded that any of the other parties would probably do worse once in power.

"I shall probably vote for the social democrats, because that is our family's tradition," says a young Ankara professional woman "But I have a sneaking admiration for what Ozal has achieved, even though I shan't be voting for him." Many middle class Turks with a Western lifestyle tend to think along these lines.

The Motherland party formidable set of obstacles to overcome. It won just over 21 per cent of the votes in local elections in 1989 and recent polls suggest that it may have sunk to fourth place with the electorate.

High inflation, President Ozal's pro-Western foreign policy, the continuing sense that the government is not truly democratic because it inherited power from the military in 1983, the publicity surrounding the president's family and especially his wife's recent debut in party politics – these are some of the grumbles most commonly heard.

The Motherland party is divided on several fronts. On June 16 it is due to elect a new leader to succeed President Ozal who resigned in 1989 when he (theoretically at least) left party politics on taking over as head of state.

Three candidates have already emerged. There is Mr Mesut Yilmaz, a former foreign minister, who is the candidate of the liberal and nationalist wings of the party, and could probably steal votes from other parties including the social democrats if he were elected. Mr Yildirim Akbulut, the prime minister, is thought by some to be the candidate most favoured by the president. An outsider is Mr Hasan Celal Güzel, a former education minister, who is at odds with the president.

The position is complicated by the fact that the Islamic wing of the Motherland party is in the doldrums after quarrelling with the president over his decision to support his wife, Mr Semra Ozal, in her bid to become a party politician.

Mr Ozal's two younger brothers and his cousin, Mr Hüsnü Doğan, defence minister until he was dismissed last March, are now all in the wilderness. So too, probably, are three other Islamic conservatives in the cabinet, headed by Mr Mehmet Keçeciler, minister of state and the man who more than anyone else set up the Motherland party's constituency organisation in 1983.

Mrs Ozal was elected head of the party's powerful Istanbul organisation on April 28 after a stormy campaign. What will her next move be? Will she expect whoever wins the Motherland party leadership to do her bidding? Will she run for parliament in the elections and perhaps even become a minister if the Motherland party wins? These are questions to which as yet no one in Turkey except the Ozals know the answers.

Meanwhile it seams to be generally assumed that the president will persuade parliament to dissolve itself a year early and hold elections. One incentive for doing this is a change in the election law which will increase the number of deputies from 450 to 600, thereby ensuring that a large proportion of members of the present parliament are elected in the next parliament, even if they represent marginal constituencies.

What about the other parties? One of the surprises of Turkey in the early 1990s – and perhaps one of the genuinely encouraging signs of change – is that the extremes seem to be fading.

Opinion polls suggest that the Marxist left and the neo-Fascist parties are dwindling, possibly vanishing. Even the Ultra-Islamic Welfare party seems to enjoy the support of only 7 per cent of voters (though they may be concentrated in particular areas). Unless the government scraps the 10 per cent barrier, introduced in 1983 by the military, none of the small parties will get even a seat in the next Turkish parliament.

That is where the good news ends. For the opinion polls also suggest that the other parties each command only between 27 per cent and 17 per cent of the electorate. The two front runners are Professor Erdal Inönü's Social Democracy Populist party and Mr Süleyman Demirel's centre-right True Path party.

There is little to suggest that either of these parties would run the economy much better than Mr Ozal and the Motherland party, though they would probably take a more libertarian line on constitutional and human rights issues.

At 65, Mr Demirel (six times prime minister since 1965) has a stronger claim that Mr Ozal to be Europe's senior figure of the centre-right – but he is no monetarist and has been cold-shouldered by European conservative groups enamoured with Mr Ozal, such as the European Democratic Union, the federation of European centre-right parties. As a result if Mr Demirel does come to power again, after more than a decade in the wilderness, his sights will be firmly set on his domestic constituency.

Another loner who could yet make a comeback is Mr Bülent Ecevit, the former prime minister whose Democratic Left party blends populism, socialism, and nationalism. He has been crusading in recent weeks to have foreign troops removed from Turkey. Though Mr Ecevit has broken with the rest of the Turkish left and leads a party which is nakedly personal, he looks poised to get into the next Turkish parliament. Once there, he might hold the balance of power.

Because of the fractured state of the party system, the betting is generally that any post-election government will be a coalition, something Turkey has not had since the 1970s. Given the country's disastrous experience then, there have to be considerable doubts about whether the politicians will behave any better this time around.

The only thing which unites most of the opposition, is the desire to see Mr Ozal (never recognised as president by the other parties) brought down and perhaps even impeached.

If the past decade is anything to go by, President Ozal may yet manage to turn the tables on his enemies and consolidate his personal power further.

■THE CONSTITUTION: politicians are prepared for change

Waiting for a call to action

IN a cool dark room in the Turkish Grand National Assembly, Mr Kamil Tuğrul Coşkunoğlu, president of the TGNA's constitutional committee, waits for a possible call to action. For weeks there have been regular reports in the press that President Turgut Ozal and other senior leaders are planning an overhaul of Turkey's 1982 Constitution.

Some recent legislation assumes that the constitution will be modified. Introduced by the military, and approved by referendum in which only its supporters were allowed to campaign, the 1982 constitution has never found favour with ordinary Turks.

The 1982 constitution was only the last in a series of chopping and changing the rules of the Turkish political system. As a result, though there is some consensus on matters such as whether deputies have immunity from prosecution and political parties get state aid, most of the other rules are up for grabs and are liable to be changed whenever there is a government in power with the necessary two-thirds majority, even though Turkish politics today are much less fiercely polarised than they were a decade ago.

Since the autumn of 1989, the austere provisions of the 1982 constitution have in some respects not even been honoured in spirit. Though the Turkish president is supposed to be a figure head above party politics, President Ozal has ruled Turkey as an executive president with close links with the ruling Motherland party which he founded.

His wife is head of its powerful Istanbul organisation. Opposition parties say they will bring Mr Ozal before an impeachment tribunal and seek his deposition if they win the next election.

Mr Ozal would like to bring the constitution into line with the way he runs the country by making the president directly elected. This would be a break with a 70-year old tradition in which the president was appointed by parliament, thus making sure that the country's powerful civilian and military bureaucracy retained some control over who was appointed.

Mr Ozal believes so strongly in a directly elected presidency that early this year, according to Turkish press reports, he bought a campaign bus from Mitsubishi in Japan. In March he unveiled some of his ideas for a new constitution to the cabinet. However, there has been no draft presented to parliament. The opposition True Path party, which wants a directly elected presidency but does not recognise Mr Ozal's election in 1989 as valid (the opposition parties boycotted the vote) has circulated its own proposals for a change to the constitution, but failed to get the 150 signatures needed for the motion to be set before the assembly.

The Social Democracy Peoples party is drafting its own proposals, most of which concentrate on annulling the more authoritarian features of the 1982 constitution. It would like to see the scrapping of the death penalty; the subordination of the armed forces to the Ministry of Defence, rather than leaving them quasi-autonomous under the prime minister as at present; the ending of the state monopoly on radio and television; the restoration of autonomy to Turkish universities which are run by a heavy-handed central body set up by the soldiers; and the restoration of various cultural and historical bodies set up by Atatürk.

These changes have little chance of becoming law in the lifetime of the present parliament where the social democrats are a weak and divided opposition to the Motherland party. But can Mr Ozal's followers push through the changes he wants?

The Motherland party can certainly find the 150 signatures needed to put proposals before parliament, though its present divisions (and the furore over Mrs Ozal's entry into politics) mean that it is by no means certain that its 276 deputies will be willing to co-operate to vote the measures in.

Constitutional amendments in any case require a two-thirds majority in the 450-member assembly. So some sort of deal wit that least one opposition party is necessary to push the measures through.

The two opposition parties are willing to co-operate provided that they get early elections. Since these will almost certainly end the Motherland party's days as the largest party, this condition is not one which most government deputies view with enthusiasm, not least since they are well paid by Turkish standards and could lose up to a year's income from early elections.

Mr Ozal would probably have less to worry about from the elections if he had been directly elected as president beforehand. He still has over five years of his original seven year term to run, but has indicated that he would step down and submit himself to the electorate if he gets the chance.

General elections after Mr Ozal had been installed in the presidential palace at Çankaya, with a fresh mandate, might be different from any under present circumstances.

Many Turks view Mr Ozal as a weak and unpopular president whose days in office are probably numbered: a view which tends to overlook Mr Ozal's tenacity and proven mastery of political strategy.

Will the 1982 constitution thus stumble on, *faute d'autre?* Eventual modification looks fairly certain, if only because there is no group inside the civilian political establishment committed to maintaining the 1982 set-up. But just when and how the parties will combine to alter it is another matter.

Any changes are more likely to be piecemeal amendments passed in a hurry on the eve of elections than a carefully designed system, trying to resolve Turkey's long-standing problem of maintaining a balance between political liberties for the individual and effective government.

David Barchard

■FOREIGN AFFAIRS: a ball of confusion

Isolated and suspicious

CONFUSION. The Turks have a word for it, *arapsaci*, or literally like an Arab's hair.

The Gulf war has exposed Turkey's ambivalent relations with the Arab world – its isolation as a secular but Sunni country heightened by its unequivocal stand in support of the US-led allied coalition.

Look at the map and the Turks' sense of isolation is understandable. Turkey shares borders with six countries. To the east, Turkey remains deeply suspicious of both Iran, a Shi'a Moslem theocratic state, and the pan-Arab nationalists who for the moment at least run things in Baghdad. Syria, a militarily less awesome regime, is blamed for fuelling the separatist sentiments of Turkey's large Kurdish community. To the north the perilous proximity of the Soviet Union, in spite of arms reduction and recent improvements in trade ties, continues to represent the main threat.

Political stability in Bulgaria the Soviets' former Warsaw pact ally, has still to be proven, although moves to establish minority rights for its Turkish speaking community have helped warm relations.

Greece, a fellow member of the Nato should be an ally. But overriding their relationship is the Cyprus question, disputes over oil rights and airspace in the Aegean and the bitter legacy of more than 500 years of shared history.

In the nineteenth century, Turkey was dubbed the sick man of Europe. Turkey today is equally resentful of the suggestion that it should play the role of the healthy man of the Middle East, as an extension of US foreign policy in the region, the home to some future rapid deployment force.

During the Gulf war, Turkey's strategic imperatives seemed clear enough. Nonetheless President Turgut Ozal's decision to allow US planes to use the Incirlik airbase to bomb Iraq represented a large challenge to the conservatism of the Turkish armed forces and its traditionally neutral stance in foreign policy which kept the country out of the Second World War.

Turkey's thinly veiled threats to Iran and Syria not to intervene in north Iraq reflected concern about the regional ambitions of these two radical Moslem neighbours. The fate of the thousands of Iraqi Kurdish refugees on its southern border, merely underlines the confusion.

President Ozal stresses the need for the economic reconstruction of the region aware that Turkey may be left out of negotiations of any broader Middle East peace settlement because of Arab suspicions.

Officials believe Turkey's decision to stand firm against Baghdad cutting the Iraqi oil pipeline across its territory will have been seen in many Arab capitals as further confirmation of Turkey's historic unreliability. However, the Foreign Ministry seems only too eager to outline how Turkey is different from its Arab neighbours, in that way emphasising Turkey's natural affinity with Europe.

"We are seen as the atheists of the Islamic world," says Mr Tugay Ozceri, under secretary at the foreign ministry. Turkish policy is still defined by the natural and political boundaries carved out by Kemal Mustapha Atatürk in the 1920s.

In 1921 Turkey established its borders with the Soviet Republics. The Lausanna Treaty of 1923 determined the delicate balance of relations with Greece and in 1926 the *Mosul Settlement* defined Turkey's borders with Iraq.

Mr Fahir Armaoglu, columnist and professor of international relations, says historically it was a fear of the Soviet Union that drove Turkey to seek its future with the West. Western support for Turkey, even from Ottoman times, was seen as the best guarantee against Russian expansionism. It explains why in the 1920s the great powers settled the straits dispute in Turkey not Greece's favour and why Turkey continues to be seen as a vital partner in the western alliance.

Nato membership serves as the main forum for those broader political and economic ambitions particularly while Brussels continues to ignore its application to the EC.

"Its time Europe shed the shyness it developed after the Suez crisis," says Mr Seyfi Tashan, director of a private foreign policy think tank. "Isn't it clear that Europe's security is also Turkey's security?"

One of Turkey's immediate concerns is that it may be sidelined by the new security architecture being constructed in the wake of the collapse of communist rule in eastern Europe. Turkey's decision to call for the deployment of Nato's advance mobile force to its border with Iraq, during the Gulf war, contained a clear element of bluff. But if Ankara was seeking Nato's assurance, the response was far from convincing with Germany's initial hesitance interpreted by President Turgut Ozal as the act of the "unfaithful ally."

The president's inclination is to forge closer ties with the US. The Turkish leader is a big admirer of the US and particularly it seems the US system of presidential government.

Turkey's neighbours are watching with some concern as both the US and Germany increase their military aid shipments, partly as a result of arms reduction talks in the central European theatre – the so called cascade effect.

On Europe, opinion is increasingly divided. President Ozal's proposal for a free trade with the US, however impracticable, reflected Ankara's growing impatience with its reception by the community.

Mr Ozerci feels the Commission's reference to Cyprus in its "avis" on Turkish membership was an unfair break with tradition. "The Commission's work is not to pass a political judgment but to take a sort of X-ray of a country's economic position," he says.

It is a measure of this new frustration that many Turks feel it is not just Greece that is playing on Europe's prejudice, but Europe which is wilfully fuelling Turkish-Greek enmity.

John Murray Brown

KURDISH POLICY

The genie is out of the bottle

SIX months ago, many of the readers of this survey would probably have been scratching their heads if asked to explain who the Kurds actually were.

Turkey is said to account for about half the world's 20m Kurds. The remainder live in Iran and Iraq, with smaller numbers in Syria and the Soviet Union.

Many of Turkey's Kurds, perhaps 5m, still live in impoverished rural villages in the south-east of the country, tending their livestock in near-feudal mountain communities which provide the backdrop for today's refugee tragedy.

There are a considerable number, some say as many as 1m, Turkish Kurds working as *gastarbeiter* in Germany. This is said to be fertile ground for the separatist Turkish workers' party PKK which since the mid-1980s has been fighting a sporadic guerrilla campaign for an independent Kurdistan.

A larger number of Kurds have settled in Turkish cities, with some, such as the owner of Istanbul's Pera Palace hotel emerging as leading figures of the Turkish business establishment. Indeed the new found prosperity of these urban Kurdish migrants is often given as one reason why the PKK has been so unsuccessful is extending its campaign to Turkey's western region, particularly the big cities.

The Kurds trace their grievance to their treatment under the Lausanne Treaty of 1923, where Turkey ignored Kurdish claims for minority rights, a status given only to the much smaller Greek and Armenian communities.

Since independence there has been a slow but deliberate process of political integration of the Kurdish community. There are Kurdish deputies in parliament. The Motherland party cabinet includes two men of ethnic Kurdish origin – Mr Abdulkadir Aksu, the interior minister and Mr Kamran Inan state minister in charge of the south-east. Even President Turgut Ozal claims to have Kurdish forebears.

It was President Ozal who started the latest discussion of Turkey's Kurdish problem, calling on parliament in January to ease some of the restrictions on the Kurdish language.

In 1983 in the wake of the military coup, Ankara's ban on the use of non-Turkish languages was seen as a further slight to Kurdish cultural sensitivities. Officials say the law was ineffective, and cite the fact that just four people have been charged under its powers since it was introduced.

The law added to the tension in the south-east where more than 2,000 have been killed since 1984. Using its bases in Lebanon's Syrian-controlled Bekaa valley the PKK has launched attacks on local police stations and ambushed other government officials. Under an agreement with the government in Bagbdad, the Turkish army has conducted the hot pursuit of guerrillas into Iraq. According to human rights groups many of the victims have been innocent civilians.

A report published last year by the opposition Social Democrat party says that government policing tactics "sometimes takes on the dimensions of a state terror." Today in the south-east it is Turkey's failure to improve its human rights record that continues to blight its relations with its European and American friends.

In the weeks since the Gulf war ceasefire in February there has been an increase in the number of clashes. Two people were killed when police opened fire on more than 2,000 demonstrators in Idil in March. In April, a local district officer was killed together with six other police and civilian officials. The incident at Solhan, west of Van was condemned by Mr Aksu the interior minister who visited the area. The clash followed a sweep of rebel positions in early April.

If the language proposal met with stiff opposition from the nationalists, President Ozal's next move to invite Mr Jalal Talabani leader of the Iraqi Kurds to talks in Ankara was to prove even more provocative. In between, the president managed to conjure up the idea of a Kurdish federation in north Iraq – Turkey's rather belated response to events in north Iraq where Kurdish rebels at one point seemed poised to defeat government forces from Baghdad. He also announced a political amnesty, apparently to include members of the PKK.

The refugee crisis has left the policy in tatters, with 500,000 Iraqi Kurds at one point threatening to overwhelm Turkay's southern border. Turkey's decision to confine the refugees to the border was a

Inan: ethnic Kurdish origin

contributing factor in persuading the US to launch its safe haven plans to coax the refugees back to their homes in Iraq.

However, Turkey's policy has attracted widespread criticism and added to the headaches of aid relief agencies trying to help. In the international press, Turkish soldiers have been portrayed sometimes unfairly as looting supplies and coralling the refugees with sticks. Much of the goodwill generated locally after President Ozal's earlier moves has probably evaporated.

The longer term impact of the crisis is harder to assess. United Nations Resolution 688 states that Iraq's repression of its people constitutes a threat to international peace and security. Turkey did its best to limit the number of specific references to the Kurds to four.

In the final draft, Turkey had to settle for the phrase "particularly the Kurdish population". As Mr Ozceri put it: "The genie is out of the bottle. For the first time the UN Security Council has discussed the Kurdish question."

John Murray Brown

Privatization in Turkey

Mankind is entering a new era.

Within the last decade of the 20th century, soaring technological developments are coupled with rapidly diminishing economic and political borders. Winds of change are blowing stronger than ever in human history.

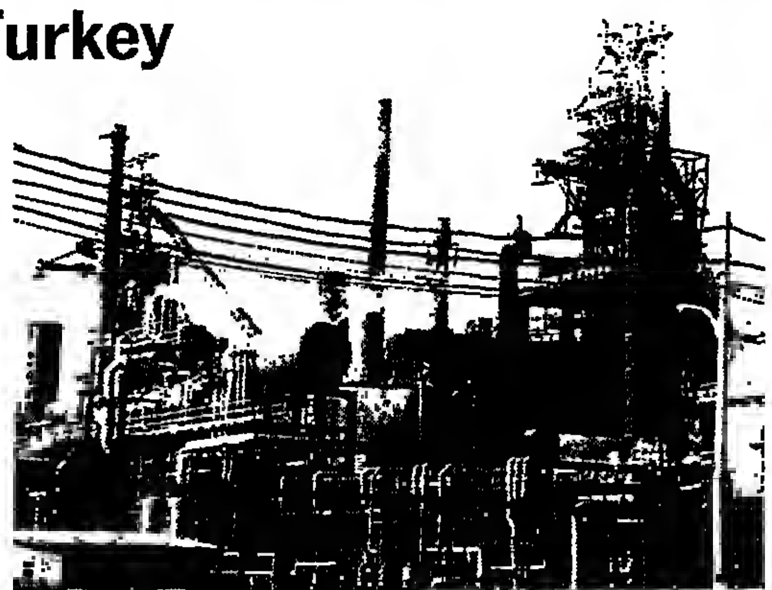
TURKEY'S CHANGING FACE

The ongoing evolution in the world's economic order is also affecting Turkey. Placed at the junction of three continents, the country is presently passing through a period of integration into the World Economy.

The *structural reform* which has been implemented as government policy since 1983 aims at minimizing State intervention in the economy, and its rationalization through the establishment of competitive market mechanisms. To this end foreign capital inflow has been liberalized, and has reached approximately $1.3 billion in 1990.

Privatization policy, whose rationale has gained unanimous recognition around the world during the last decade, is a fundamental part of this economic trend. In an age when the globalization of the world economy is being accomplished, the momentum of privatization will continue to keep pace both at home and abroad.

M. Okkeş Özuygur – Chairman (PPA)



Ereğli Iron and Steel Works (ERDEMİR)

PUBLIC OFFERINGS AND SALES TO CORE INVESTORS

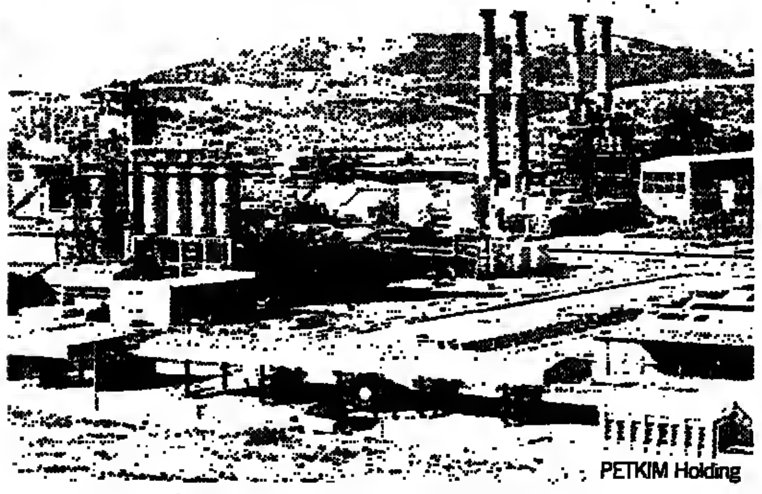
The program will also continue its rapid pace at home. During the last six months there have been public offering of shares in Konya, Ünye, Mardin, Adana and Afyon cement factories, THY, and the MIGROS chainstore. Privatizations through public offerings on the 1991 agenda are TOFAŞ-Türk Otomobil Fabrikaları – a major automobile manufacturer – and its marketing firm TOFAŞ-Oto Ticaret; GIMA chainstore; Niğde cement factory; NETAŞ, an electronics and telecommunications concern; Turkish Petroleum Refineries (TÜPRAŞ); and Petrol Ofisi (POAŞ), a distributor of petroleum products.

The 1991 agenda also includes the block sale of Türk Kablo, a cable and wire producer; IPRAGAZ, an LPG distributor; Adana Kağit Torba, a paper bag producer; several fruit juice and soft beverage factories; an agricultural machinery manufacturer and its marketing concern; etc.

TURKEY'S PRIVATIZATION PROGRAM

In Turkey privatization is being conducted by the Prime Ministry's Public Participation Administration (PPA) which was founded in 1984. The Administration presently has 87 companies in its portfolio including State Economic Enterprises, banks, subsidiaries and equity participations. Since 1988 State shares in 20 establishments have been transferred to the private sector through block sale. There have been public offerings of shares in 15 companies so far.

Among firms whose stocks were offered to the public are Ereğli Iron and Steel Works (ERDEMİR), which meets 61% of Turkey's iron and steel demand; Petrokimya Holding (PETKIM), which supplies 76% of domestic petrochemicals; and Turkish Airlines (THY), which meets 85% of the country's air transport demand.



PETKIM Holding

A FLOURISHING CAPITAL MARKET

The Turkish Capital Market is becoming institutionalized thanks to the PPA's privatization efforts. In this context, PPA has closely monitored the supply with a view to enhance the market's depth and build a strong capital market. As in the case of more developed countries, the Istanbul Stock Exchange is about to become an important economic indicator of the country's economic performance.

In an era when Turkey is emerging as one of the strongest economies of this strategic region of the world, Turkish privatization should be looked upon as providing the best opportunity for establishing a new partnership with the largest Turkish companies.

INTERNATIONAL OFFERINGS AND BLOCK SALES

The remaining state ownership in these quasi-monopolies, in market share terms, are planned to be transferred to key foreign and domestic core investors within this year.

In February 1991 part of TOFAŞ Oto Ticaret, a major automobile marketing firm, has been sold to Italian FIAT S.p.A. which was already a stakeholder in the company.

Studies are currently underway at the PPA for the global offering of shares in ERDEMIR, PETKIM and Çukurova Elektrik (an electricity supply concern), through quotation on major international stock exchanges during 1991.

REPUBLIC OF TURKEY – PRIME MINISTRY
PUBLIC PARTICIPATION ADMINISTRATION

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Fax: (90-4) 125 26 11; 125 59 74

■RELIGION: a lull in the political and cultural tug of war

Faith in the post-war climate

IN the aftermath of the Gulf war, there has been a lull in the political and cultural tug of war between Turkey's Islamisers and secularists. Overt fundamantalists keep a slightly lower profile than a few months ago and there are fewer women in veils on the streets of the large cities than there were a year ago.

"The Gulf War was a shock for them. First of all, they did not expect Christians to defeat Muslims," says an Ankara academic. "Secondly, the Muslim countries were divided which was another unpleasant reality for them. Thirdly, it looks very much as if the flow of funds from Saudi Arabia and other Islamic countries to fundamentalist groups in Turkay has been interrupted."

There has also hean a change at the uppermost levels of Turkish politics. The decision of Mrs Semra Ozal to enter party politics has led to a breach between President Ozal, her husband, and the fundamentalist wing of the Motherland party which includes his two brothers.

In spite of this, the campaign to re-Islamise Turkisb society has notched up soma successes recently. Saint Sophia, the Byzantine basilica built in the fifth century and converted into a mosque in the 1930s by Kemal Atatürk, has loudspeakers on its minarets from which the call to prayer is made, while religious ceremonies are once more held in an outlying room. Turkey's Islamic movement would like to see the basilica once more used as s mosque as a message to Europe and the Middle East about where the country really stands.

Sacularists in Turkey are still nervous. Polemics on the religious issue are still not entirely safe. There were three assassinations of leading secularists, last year, including the president of the Turkish Law Foundation, Mr Muammar Aksoy. None of the killers have been trackad down by the police, who are widely believed to be infiltrated by fundamentalist groups.

Most secularists believe that the religious movament is partly inspired from outside the country. Turkey turns a blind eye to pressures from its naighbours on the religious issue. When President Rafsanjani of Iran visited Turkey earlier this month, he was excused the otherwise obligatory visit to Atatürk's tomh and was greeted by cheering groups shouting Allah is great.

Some Turks even believe that the West, especially the US, would like to see a Sunni conservative re-Islamised Turkey, securely located in the Middle East, therehy sparing Europe the embarrassing question of whether or not to admit Turkey to the EC.

Although Turkey describes itself as a secular country, state and religion are firmly interlocked and it is taken for granted that 99.9 per cent of the population are Muslims, registered as such on their identity documents. No one would think of registering as atheist or Shi'a Moslems.

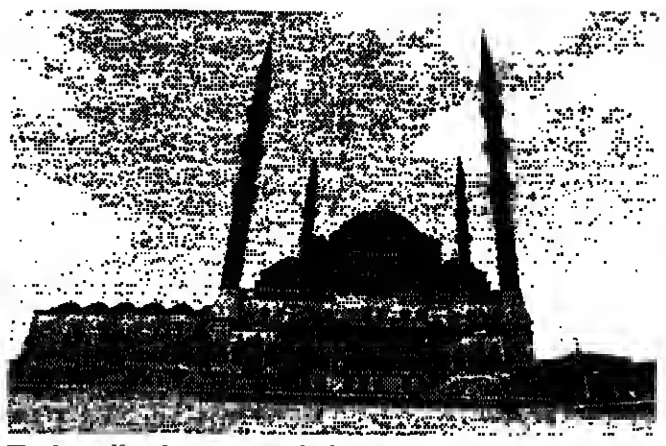
Formal supervision of Islamic religious affairs is carried out by a department of state, the Presidency of Religious Affairs (PRA), which is attached directly to the prime minister's office.

The PRA, opened in 1986, situated in slightly dreary offices under the shadow of Ankara's vast Kocatepe Mosqne complex, is both Turkey's official church and a civil service department just like any other Turkisb ministry. Though it was formally establisbed in 1926, it is in fact the continuation under a different name of the Ottoman office of the Şeybülislam, the supreme Islamic dignitary of tbe Ottoman Empire.

Though rural clergy in gowns and turbans, with flowing beards, can be seen coming through its doors, the PRA is the workplace of sophisticated scholars and administrators, some of them with doctorates from Western universities.

Last year the PRA sponsored the sixth Islamic-Christian Consultative Meeting in Istanbul and it engages in a number of inter-faith contacts.

Its role in Turkish national life has grown steadily in the 1980s, first when the Turkish military decided to encourage religion as an antidote to the rising tide of Marxism in schools, and later when Mr Turgut Ozal and the Motherland party came to power.



The large Kocatepe mosque in Ankara

Today the PRA has a staff of 84,000 people and an annual hudget for 1991 of TL1,300bn. Its funding and staff numbers have grown rapidly in the last three years, arousing some adverse comment. There are 37,000 more staff in the PRA than there were five years ago and it plans to expand its foreign operations.

"We serve all sections of the religious community without discrimination, and there are no sectarian conflicts in Islam like those of Catholicism or Orthodoxy in Christianity." says Mr Hamdi Mert, the organisation's deputy president. In practice however, many of the estimated 20 per cent of Turkey's population which is Alevi (a branch of Shi'a Islam) claim that they get no state support for tbeir clergy or shrines, unlike the majority Sunnis.

In the 1980s the PRA has succeeded in getting the numbers of religious schools increased, while in the secular educational system, religious instruction (one or two hours a week) has been made compulsory for all pupils, witb a greater emphasis than in the past on the learning of formulas and rituals.

A wide variety of career opportunities bas been opened up for the more than 50,000 students who each year graduate from tbe clerical vocationsl high scbools. In practice the scbools have ceased being simply vocational training for the clergy and are now s religious alternative to the secular high school system.

A controversy is raging in Turkey about whether the process should be taken a step further by recognising Koran school qualifications for lycée. There are about 5,197 officially recognised Koran schools, specialising in Koranic memorisation, witb an enrollment of 290,000 students mostly from villages and lower-income families. Do they qualify to go on to lycée at 15 years old?

Mr Mert says that press reports of a row between the PRA and the Mr Avni Akyol, minister of education, (who is alleged to have threatened to resign over the issue) are wide of the mark.

Some of the PRA's activities do not fit easily inside the Western conceptions of eitber state or church. It has 15 religious affairs counsellors in Turkisb embassies from France to Australia aod religious attacbes in 21 consulates. Moves are under way to set up offices in the Soviet Union.

These offices supervise 409 clergymen in Germany, 26 in Australia, 63 in France, and more than 800 preachers and prayer-leaders worldwide. In the sacred month of Ramadan this year, a further 357 clergy were temporarily sent abroad to 13 couotries, including Outer Mongolia.

These officials count both as overseas religious functionaries and Turkish government employees, an arrangement which may seem a little paradoxical in a secular state, especially as the Turkish foreign ministry bas sometimes discreetly warned the tiny number of Cbristian clergy attached to embassies in Ankara to be careful whom they allow to attend their services.

Some years back, there was a national scaodal when it emerged that some of the expatriate clergy had been paid with Saudi funds.

David Barchard

■THE ARMY: uneasy in the post-war environment

Refugees strain military nerves

THE crisis on Turkay's south-eastern frontier during April and May has sent tremors through the delicate balance between President Turgut Ozal and the country's civil politicians and the military.

On May 7, General Doğat Güreş, the chief of ganeral staff, issued a clear and unmistakeable warning to the world that the Turkish military were nneasy ahout the possibla course of events among the Kurds and that Turkey would not allow them to be armed.

The unhappiness of the Turkish military at the way events hava gone since the ending of the Gulf war is one of the worst kept secrets in Turkey. If Turkey's army – the second largest in Nato with more than 600,000 men under arms – is unhappy at seeing foreign troops on the country's soil, it is much more alarmed at the possible threat to Turkey's unity from Kurdish separatist movements, and therefore reluctant to see a Western-protected Kurdisb enclave across the Iraqi border.

Does this have longer-term implications for Turkish politics? Though there have been half a dozen military interventions in Turkish politics this century, and three in the last four decades, no one expects a coup. It is generally taken for granted that Turkisb society and politics is becoming steadily more civilian in its outlook.

Though many middle class Turks regard Mr Ozal and the Motherland party government as an outgrowth or continuation of the 1980 military regime, Mr Ozal has in fact made some gestures towards imposing civilian supremacy over tha military. In 1987 be broke with tradition and imposed his own choice as chiaf of staff. Last year be weathered a furtber storm when General Necip Torumtay resigned as chiaf of general staff in protest at Mr Ozal's policies on the eve of the Gulf war.

General Güreş, who took over at the head of tha armed forces in December, promptly introduced many changes. He allowed groups of journalists to tour the armed forces headquartars and other strategic centres, fostered a debate on whether or not Turkey needs a smaller hut more specialist strike force rather than its unwieldy conscript army, and issued orders that there was to be a strict ban on physical violence in the army.

The aim was to create new public attitudes towards the military and inculcate new values in the ranks. Have these efforts at a sort of military glasnost been blown off course by the tragedy in the mountains above Zakko?

Temporarily they may have been. Outright coups may be unpopular, but Turkish public opinion is accnstomed to playing off the military against a weak ctvilian leader and there is little doubt that on nationalist issues, the man in the street is still certain that his interests are best protected by the military. President Ozal was probahly moving too fast for the Turkish public in his attempt to draw the teeth of the growing Kurdish problem in the region by an historic compromise with moderate Kurdisb leaders such as Mr Jalal Talabani of the Kurdish Patriotic Union.

Turkish society and its main institutions have moved very fast in tha last year. Many of the main goals of the 1980 coup have been discarded. Communism has been legalised and a communist party established. The use of the Kurdish language is being gradually permitted. The military constitution of 1982 is poised for the rubbish bin. Its successor will almost certainly provide for s president directly elected by the country, rathar than through parliament, thus taking ultimate control out of the hands of the traditional guardians of the state among senior bureaucrats in the army and civil service.

At the same time, less is heard in Turkey these days abont large investments in defence industries, tbough a $4.1bn projact to build F-16 fighter jets in a joint venture witb General Dynamics is almost complete.

These are not changes that tbe military find it easy to adjust to. Turkey sees itself as a country whicb came into being because the early Ottoman fighters conquered the land from the native Christian Byzantines and remained in existence because it was able to defend itself against Greece and the Western allies after the First World War.

Civilian governments by contrast have a dubious record although they improved in the 1980s and 1990s.

Many officers would prohably say this is because of the stern controls the military left in place in 1983. They would probably point to soma warning signs: the growing terrorist threat from urban guerrillas in the large cities and assassinations of prominent secularists presumed to be the work of religious fundamentalists.

The greatest test for the civilian system is probably yet to come. All the signs are that Turkey's next government will be a weak coalition rather than the single-party administrations whicb Turkey bas had (under slightly fudged conditions) since 1983.

Turkish soldier watches US marines cross into Iraq

In the 1970s, politicians squabbling for power allowed the country to grind disastrously to a halt, so making the 1980 coup inevitable. Not everyone in Turkey is certain tbat tbe possibility can be ruled out in the 1990s. But whetber or not tbings go wrong again lies not in the hands of tha army but with the country's party politicians.

David Barchard

■AGRICULTURE: support prices re-emerge as a hot potato

Farmers flex growing muscles

THE wheat crop is forecast to reach a bumper 15m tonnes this year after two bad harvests during a prolonged period of drought. But the return to self-sufficieocy in basic food production is rekindling a couteutious debate over support prices paid to farmers.

Earlier this mooth, the government appeared ready to cancel subsidies to cereal growers amid mouuting anxiety over a worsening budget deficit. Theu the grain farmers, sounding unusually militant, threatened to march on Ankara. Reassurances came that support prices would be maintained at satisfactory levels.

With an electioo due in just over a year, the government can hardly afford to alienate the rural vote. Farmers still make up 50 per cent of Turkey's workforce: population growth in the countryside outweighs losses from continuing migration to the cities.

However, the cost of subsidising the grain crop, as well as fertilisers and cheap credits to farmers is proving increasingly hurdensome. Last year Turkish growers were paid the equivalent of $200 per tonne of wheat wheo the world market price was only $90 per tonne.

There is talk now of gradually phasing out subsidies and of regulating prices through the establishment of a Turkish commodities exchange. Yet, as Mr Osman Ozbek, chairman of the union of agricultural chambers points out, even at present levels, Turkisb farmers receive only minimal support compared witb tbeir European Community counterparts.

Wheat-growing and sheep-raising remain the twin pillars of Turkish agriculture, in spite of rapid growth in fruit and vegetahle productioo and a variety of regional crops such as tea, hazelnuts, cotton and tobacco.

Removal of subsidies would expose impoverished Turkish villagers to the grim prospect of subsistence farming, while a large shift of population to the cities would bring social problems on a scale uo government would want to confront.

Agricultural productivity is declining as the rural population rises, while farm sector investment fell by 6.4 per cent in real terms over the past five years.

Holdings are increasingly fragmented by the inheritance custom of dividing land equally among sons. Although large, semi-feudal estates can still be found, mainly in the sonth east, some 70 per cent of Turkish farmers cultivate holdings of about 1.5 hectares.

Agricultural exports last year earned $2.4bn, according to preliminary estimates from the State Institute of Statistics, while imports totalled $2.1bn. Wheat imports following the drought, together with vegetable oils and cigarettes accounted for half that amount.

Although the grain crop fell by 10 per cent last year, overall agricultural output grew by an estimated 11.3 per cent, after a 10.3 per cent decline in 1989 when field crops were ravaged by the worst drought in over half a century.

High yielding seeds contribute to increased output, but Turkey's long-term plans for improved production are based on irrigation. The South-eastern Anatolia Project (Gap) will eventually add another 1.6m hectares to the present 28m bectares of arable land.

In the meantime, Turkey'e Soil Products Office (TMO) is campaigning for better land use between grain harvests. In irrigated areas, farmers are encouraged to grow sunflowers for oil and peanuts. in regions where land must remain fallow to avoid draining soil moisture, pulses take priority.

The success story of recent years is lentil cultivation, both for domestic consumption as an alternative protein source for poorer families who cannot afford soaring meat prices and for export.

Lentil production has doubled in recent years, reaching 800,000 tonnes in 1990. Exports of red and green lentils to more than 50 countries earned $240m last year, according to TMO.

"Prices are much lower than for wheat, but farmers can increase their income considerably. We also had a very favourable response to a television campaign to encourage people to eat lentils and use lentil flour," says Mr A Kadir Altinsaat, deputy director of the Agricultural Enterprises Organisation (Tigem).

Turkey's sheep population is stable at about 35m, a high proportion of which is slaughtered yearly. Sheep meat production last year totalled 420,000 tonnes to 240,000 tonnes for beef and 270,000 tonnes for poultry, according to unofficial figures.

Exports of live animals to the Middle East totalled about 3.3m sheep and 330,000 goats. This trade was worth over $250m last year in spite of the Gulf crisis, but regional export markets are expected to shrink this year, according to Tigem officials.

Increasing numbers of cattle have been imported for slaughter, mainly from east European countries, to meet a growing demand for beef. About 180,000 cattle for slaughter arrived last year.

Sheepmeat is uot imported, though local consumptiou is rising. But the livestock sector is low-yielding and attracts little investment by comparison with field crops or fruit production.

A Turkish sheep produces only half as much meat as its European equivalent. Lack of feed is the main factor; farmers prefer to grow wheat to take advantage of the support prices rather than forage crops.

Sheep graze in meadowland when it is available and on grain stubble after the harvest. In harsh winter conditions they are kept inside and fed on chopped straw.

A recent livestock development project in Konya, sponsored by the UN Food and Agriculture Organisation, has succeeded in increasing meat yields by fattening lambs with locally produced grain and cottonseed cake.

The real problem concerns breeding, according to Mr Altinsaat. Only the Turkish long-tailed sheep, whose meat yield is low because its tail may contain as much as 25 kilograms of fat, is properly equipped to survive the Anatolian winter.

"Recently we've tried importing higher yielding British, German and French sheep varieties. They are used to cold weather but not to the big swings of temperatures and they're not sufficiently resistant to disease," he says.

Kerin Hope

Şevket Demirel: lots of people can be politicians

■PROFILE: Şevket Demirel

A case of meeting demand

ŞEVKET Demirel prefers to run one of Turkey's larger holding groups from an office in a poplar plantation near the village where he was born. It is only since his son joined the business that Şevket Demirel Holdings has acquired modest offices in Istanbul, mainly as a marketing base for a broadening range of products.

Mr Demirel started his career in the most traditional of Anatolian businesses, carpet-dealing. But when his older brother Suleyman went into politics, things changed. "Someone had to feed the family," be says. "Lots of people can be politicians, but to be a euccessful husinessman you need many more skills."

Mr Suleyman Demirel's prominence – he served as prime minister eight times between 1965 and 1980 – inevitably drew his brother into politics as the local party boss in their home town of Isparta in south-western Turkey. Isparta was best known for producing rose oil and some of the largest carpets woven for the Ottoman sultans.

However, the younger Mr Demirel had other ideas for developing the region. "It was a questiou of meeting demand. If you don't your competition will," he says. He started by transforming the family timberyard into a chipboard plant. To ensure a steady supply of raw material stands of poplars were planted aronnd Isparta which have grown into a forest of close to 1m trees.

A cement plant followed, producing high-quality brands for underwater and sewerage use from local sources. But it was the construction spree of the 1980s, in whicb Goltaş Cemeut started operating round the clock to supply the coutractors building hotels around Antalya, that generated funds to finance a $60m investment programme currently nearing completion.

"We're deeply suspicious of bank loans, as you should be, considering interest rates. They've gone up to over 100 per cent. You don't know if they'll be 40 per cent or 200 per ceut tomorrow," Mr Demirel says.

The chipboard plant is expanding into an integrated wood products operatiou. It has begun manufacturing wood veueer and melamine-coated board. A plywood production unit will start up shortly. A new production line, using equipment purchased second-hand from Germany, will double capacity at the coal-fired cement factory to 2m tonnes annually.

The investment is about $30m. The group is also diversifying into food processing in a $25m joint veuture with an Italian partner, Puccinelli. A new plant earlier this month started experimental production of dried apple, an important component in baby foods, from last year's surplus crop of apples. A juice-manufacturing unit will come on stream later in the year.

"This was a necessary move, even though it will be difficult to market this product in Turkey. A large part of the Isparta apple crop is left unsold, and the farmers had already started uprooting orchards. It was a great waste," Mr Demirel says.

Puccinelli has agreed to import both dried apple and juice output if these products cannot find a local market, he says. The group'e marketing operation, launched last year, has improved sales of wood prodncts in western Turkey, but its first real test, according to Mr Demirel's son Murat "will be to market the apple products for ourselves, both in Turkey and the Middle East, and not just rely on our collaborator."

"Competition in Turkey is sharpening all tbe time. It's essential now to have good foreign technology and a foreign partner," he says.

The group is also planning to move into tourism. A luxury holiday village is planned for a site overlooking Lake Egirdir near Isparta which would be a ski-resort in winter and a fishing and sailing centre in summer.

The family'a political connections certainly helped smooth the way for the holding group to grow. The Isparta region's road network, for example, was among those that were rapidly improved under the Demirel administrations. But politics cuts both ways.

When his brother fell from power, Mr Demirel had problems in buying extra wood for his plant from state-owned forests, and the group recently met with obstacles in getting planning permission for its tourism project.

Kerin Hope

■THE BANKS: expressing fears about the coming year

Under pressure to raise rates

"IT'S going to be a very difficult year." says the general manager of one of Turkey's largest hanks. After e relatively easy time in 1990, when interest rates lagged behind inflation and Turkisb banks found it easy to make money. there is pressure on banks to raise their rates for lira and foreign currency deposits.

Turkish banks have to live with extraordinary conditions. An overnight interest rate of 80 per cent is good news in a country where inflation has not dipped below 20 per cent in more than a decade and has stayed around 50 per cent or higher for most of the last four years. Money is made most easily in foreign trade operations and some times in foreign exchange transactions. There is a steady stream of new entrants to this end of the market, many of them companies hoping thet they will emulate the profits made by the early trade finance specialists at the beginning of the 1980s.

Recently the large deposit-taking banks have begun to view retail banking and personal loans business as potentially better business than the traditional activity of lending money to companies.

Commercial lending is highly risky as rates to borrowers compound to more than 90 or 100 per cent. Earlier this decade many banks piled up large numbers of non-performing loans. This month, Mr Engin Civan, general manager of Emlâk Bankasi disclosed to reporters that three years ago about 30 per cent of his bank's loans were non-performing but that three years of successive heavy provisions had reduced the proportion to 1.3 per cent.

"We are lending very little to businesses at the moment. The better Turkish husinessmen in any case have found ways of raising funds more cheaply outside the country," says a state banker in Ankara. Small businessmen still borrow money outside the banking sector as a result, sometimes for up to the equivalent of 130 per cent a year.

In spite of this Turkish banking in the early 1990s is better regulated and supervised than at any time in its history. Supervision is largely the work of the treasury which steps in when it perceives that a bank is in trouble. Enforcement of regulations rests with the central bank and under Mr Rüşdü Saraçogïü, its governor for the last three years, hanks have had to have their accounts externally audited.

Though there are still muffled rumours of collisions between banks and their euditors, and even that in some cases the puhlished balance sheets of banks may differ materially from the results submitted privately to the treasury or the central bank, it is now possible to get a clear idea of how a Turkish bank is performing from its balance sheet.

A more important question – one seldom asked in public – is whether or not the treasury has sufficient insight into the operations of individual banks to be able to spot danger signs in time.

"There may be treasury officials working at desks inside banks. But it is hy no means clear that they have access to all the information they need," says one observer.

For the last two years, banks have been under orders from the treasury to raise their capital by stages to bring their risk/asset ratios into line with Basle standards. Even so risk asset ratios are not always easily available, and asked to provide them, some bank general managers seem startled.

Ulusoy: worked to convert Ziraat Bankasi

Nor is cost control easy. Iş Bankasi has begun to trim its branch network slightly in the last two years and started to reduce its staff numbers slightly, mostly through natural wastage though there have been some rednndancies. Ziraat, Turkey's state-owned agriculture bank, has not opened a new branch in two years.

"You can't have cost-accounting in an environment like this." says one general manager. "It is out of the question. We can't offer our shareholders cost/income ratios along the lines of Western banks."

At Ziraat Bankasi, personnel expenses have risen 10-fold in lira terms in three years. During this period, the bank has undergone a large internal reorganisation as Mr Coşkun Ulusoy, the bank's general manager, a US-trained banker, has worked to convert it from an old-fashioned state credit agency, often used for political purposes, into a modern international banking group.

Ziraat is a state-owned bank and likely to remain so. But even in ths private sector, ownership of tbe banks tends to be grouped in the hands of individuals, usually industrialists, rather than dispersed among sharebolders. Those banks which do have a large number of individual shareholders tend to be dominated by their managements through stakes owned hy the banks' own pension funds.

Efforts to break the hold of industry on the banking system have been applied somewhat half-heartedly since the early 1980s. In theory there are tight ceilings on the amount of inter-group lending a bank can engage in.

Occasionelly, hanks do change hands. but when they do so, it is usually to move from one group to another. Following the resignation last month of Mr Ibrahim Betil, general manager of Garanti Bankasi, a leading Istanbul commercial bank, Koç, one of Turkey's two main groups. engaged in hehind-the-scenes talks about purchasing it from Mr Ayhan Şahenk, its present owner.

About the same time, ownership of Impex Bank, a small trade finance specialist previously owned by Mr Asil Nadir, the Polly Peck chairman, was quietly transferred to the Eliyeşil family of Adana. They in turn are linked to the Karamehmet family which owns the Çukurova Gronp, which includes three of Turkey's largest banks, Yapi ve Kredi, Pamukbank, and Interbank.

Because of the emphasis on proprietorial control, mergers between banks are virtually unknown. As yet the Turkish banking sector is largely insulated from the global banking market and the foreign presence in the market is confined to small offshoots of international groups. This means that there is little pressure for concentration.

Eventually the harriers between Turkey's financial system and that of ths rest of Europe will come down. But in a turbulent environment where an overnight rate of 80 per cent is good news, that day is probably still some way off.

David Barchard

Waiting to do business outside Istanbul stock exchange

■STOCK EXCHANGE: quieter times as funds switch to banks

Small investors desert bourse

BUSINESS is relatively quiet at present for the men who sell odd lots of brightly coloured bearer sharea on the waterfront outside the Istanbul stock exchange. The Individual investors wbose discovery of ths bourse in 1989 helped propel the market to undreamt-of heights last summer have grown more circumspect.

They are deserting the bourse in droves as the Turkisb economy starts to look increasingly shaky. Now that interest rates are rising. funds are being switched out of stocks and into bank accounts. The rate on one-year deposits in Turkish lira averages 65 per cent, compared to an inflation rate of just over 60 per cent.

An alternative is to huy foreign sxchange, often in tbe form of wads of US dollars, from the currency dealers in the covsred hazaar. After a period of relatively slow depreciation against leading currencies, the lira fell hy 30 per cent against the US dollar over the past four months.

Currency speculation, formerly a furtive bazaar activity, has flourished since the lira was made fully convertihle, but rumours are circulating that limits on purchases may be imposed if the flight into dollars and D-marks takes on alarming proportions.

Stock exchange administrators seem unworried by the departure of the private investors, wbo gave the bourse a colourful but chaotic atmosphere considerably at odds with official efforts to make Istanbul appear a model emerging market.

"The volume of transactions has actually increased recently despite the loss of many individual investors. It's a healthy sign," says Mr Ismail Kovaci of the exchange. According to figures from the exchange, first-qnarter trading volnme increased from TL3,000bn in 1990 to TL8,200hn this year. Activity was particularly high in February as the Istanbul market followed the rise in prices in New York and London. Indeed, the hourse'a increasing responsiveness to developments abroad is cited as a sign of growing maturity.

At the end of February the ISE index had recovered to 5,102, close to its all-time high of 5,384 last July. Since then it has retreated steadily as post-war euphoria was overtaken by domestic economic concerns. By early May, the index had slipped below 4,000 again.

Foreign institutional investors who entered the market when capital movement was liberalised in August 1989 are thought to account for less than 5 per cent of holdings. But interest in the Istanhul bourse remains positive: the International Finance Corporation (IFC), the investment arm of tbe World Bank, whicb launched the Turkey Fund – quoted on the New York stock exchange – is preparing another offshore unit trust based on Turkish equities.

Equity trading on tbe exchange is unlikely to be fully computerised until e move to new premises in the Macka district which has been delayed by a legal dispnte. Present conditions are so cramped that the 400 traders, representing 137 banks and brokerage houses, can barely squeeze on to the floor.

However, screen trading is about to start with the launching of a secondary market in bonds. Over-the-counter bond trading amounted to TL85,000bn last year in a market beavily dominated by treasury hills and government bonds.

"It's a market that's directed by the government with the demand side mostly controlled hy the banks. But I helieve the secondary market will encourage a new diversity of financial instruments and in hring many more investors," says Mr Abdullah Akyuz, head of the exchange secnrities department.

Exchange officials are working to improve the regulatory framswork. Settlement must be completed on the day after transaction, and reporting is becoming stricter with listed companies required to publish quarterly balance sheets as well as fully binding yearly accounts.

The capital markets board, appointed by the government to snpervise the bourse, has proposed legislation making insider trading illegal. However, doubts remain that it can be effectively applied in Turkey's close-knit business community. In a shallow market with only 117 listings and little emphasis on research, companies often manipulate demand both in buying and selling equity.

"If you have a young emerging market, support huying and selling by companies actually erouses interest. Insider trading should be regulated rather than prevented." one Turkish analyst saya.

Increased liquidity would lift confidence in the market: there are hopeful indications as more family-owned companies decide to raise capital through a quotation on the bourse rather tban pay borrowing rates of over 100 per cent. But a general reluctance to release more than the required 15 per cent of equity means that it will be a slow process.

The government is helping to deepen the market, both through sales of its minority stakes in listed companies and an extensive, though only moderately successful, privatisation programme. In fact the government-controlled Puhlic Participation Fund (PPF), set up to dispose of state-owned assets through the exchange, is sometimes accused of crowding out other would-be entrants hy offering excessive amounts of stock.

However, last year's privatisation of Petkim, the state petrochemicals producer, turned into an embarrassment with PPF being forced to huy back about one-quarter of stock floated only a few months earlier. As a market maker, it had to support the price after Petkim bond holders with share options dumped their shares.

Efforts to sell a 5 per cent stake in Turk Hava Yollari (THY), the national airline, also proved disappointing. The issue was only weakly suhscribed and was sventually offered at a discount to THY employees. It raised ouly TL13.3bn against a target of TL40bn.

In spite of the uncertain economic climats and some unwillingness on the part of banks to underwrite PPF issues for fear they fail to attract enough investors, the Fund is planning to dispose of five food companies controlled by Ziraat Bankasi, the leading state-owned bank. before selling off a much larger enterprise, Turkish Petroleum Refineries (Tupras).

Kerin Hope

■TOURISM: the empty tables highlight the change in fortune for the industry

Down to earth with a painful bump

"LAST year it was raining tourists. This year they're no where to be seen," says an Istanbul restaurant owner, looking disconsolately at an array of empty tables in the cobbled square of Kumkapi, a favourite place for eating fish.

The recession in northern Europe, together with lingering fears of terrorism in tbe eastern Mediterranean followiog the Gulf war, has brought Turkey's tourist trade down to earth with a painful bump.

Turkey has enjoyed several years of substaotial if somewhat uneveo growth in tourism. Receipts rose last year by 30 per cent to an estimated $3.3bn. The oumber of foreign visitors totalled a record 5.3m. Sucb results seem all the more impressive given that cancellations started flooding in after Iraq's invasion of Kuwait last August, only halfway througb the season.

However, this year the picture is altogetber different. Arrivals are likely to fall by at least 45 per cent, according to Mr Bahattin Yucel, chairman of the Union of Turkisb Travel Agencies (Tursab). This would be a much sharper drop than in Greece or Spain, Turkey's main competitors in the European mass tourism market, where a decline in numbers of about 20 and 10 per cent respectively is expected.

"Not eveo a big rise in late-season bookings can save us this year. The situation is so bad that some operators will be forced to shut down by the end of the year. The governmeot is promising lower interest rates on loans to the tourist industry. Even so, many hotels will be changing hands," Mr Yucel says.

The problems confronting Turkeys newest industry underline the weaknesses of a policy that offers generous incentives for building botels hut pays little attention to developing the co-ordinated marketing and advertising needed to fill them with guests througbout an eight-month season.

The Dozmabache Palace In Istanbul

Thanks to government assistance that included offering 49-year leases on sites along the southern coast, Turkey's bed capacity has grown from 50,000 to almost 200,000 in officially approved botels and "pansiyons" in just six years. Larger botels have been able to cover tbeir operating costs with occupancy levels of only 30 per cent because of the incentives, encouragiog continued new building. By 1994 the number of hotel beds may approach 500,000.

Tbe international hotel chains have helped extend the construction spree to Istanbul, whicb attracts some 2m tourists annually. The idea is that if more top-quality accommodatioo is available, the city will become a leading centre for conferences and incentive tourism.

It fulfils the other main requirements: good sbopping aod a wide choice of hoth museums and restaurants. The number of beds in first-class hotels in Istanbul will rise from 14,000 to over 25,000 in the next three years, with the opening of half a dozen new establishments. Among them are a second Hilton and the Ciragan, an Ottoman palace built by a 19th century sultan, being restored by the Kempinski Group.

The government's long-term target is 1m beds and 30m tourists a year. Bnt Mr Yucel believes that with better-organised promotion, Turkey's present tourist infrastructure could handle as many as 10m visitors a year. He admits that high inflation and interest rates are a disadvantage, making it hard to predict prices from one end of the season to the other.

On the other band, the quickening pace of depreciation of the Turkish lira should increase the country's chances of recovering lost ground next year. "But unless we can market our tourist product more effectively abroad, we'll always be the first Mediterranean destination to suffer when things get difficult in northern Europe," he says.

Established Tnrkish tour operators are postponing plans for expansion. One of them, Camel Tours, specialised In operating coach tours to some of the thousands of archaeological sites scattered across Turkey before joining the rush to invest in the south coast. "Business was growing so fast we were involved with hotels and were even thinking of setting up a charter airline. But in this situation, we are concentrating again on the historic places," says Mr Esat Yalcin, the general manager.

While more four-star hotels can be found within easy reach of ancient sites in Anatolia – sometimes to the detriment of the surroundings – it is clear that historical and cultural tourism has largely been overtaken by the sun-and-sea alternative. If Turkey has opted for mass tourism along its Mediterranean coast, there are plenty of other places to explore.

People looking to escape from crowded beaches should try Turkey's mountainous Black Sea coast. Cooler weather conditions there make for a short season lasting only about three months, which means the region may escape the developers' attention for some time to come. Still, the frenetic pace of hotel construction in the south-west will certainly slow down, if only temporarily, as a result of this year's plunge in occupancy levels. Some rethinking is under way at Belek, a project east of Antalya, and an example of how the Turkish tourism industry has fallen into the same trap as Spain and Greece in earlier years.

The plan was to build seven first-class hotels along a 15-kilometre strip of pine-shaded beach. But the project now includes 25 hotels with a total of 18,000 beds, as well as a series of 18 and 36-hole golf courses to be constructed over the next three years. The golf courses, the first at a Turkish resort, are intended to increase earnings by lengthening the tourist season to 10 or 12 months in the Antalya region.

"We are thinking of halving the number of beds in our hotel at Belek because of the pressure on the space," says Mr Muharrem Kilic of Mesa Touristic Facilities.

"Think of the problems finding and training the thousands of staff needed for such a big complex. And who wants to play golf on six courses all in one place? Overbuilding is not the right approach to tourism."

Kerin Hope

KEY FACTS

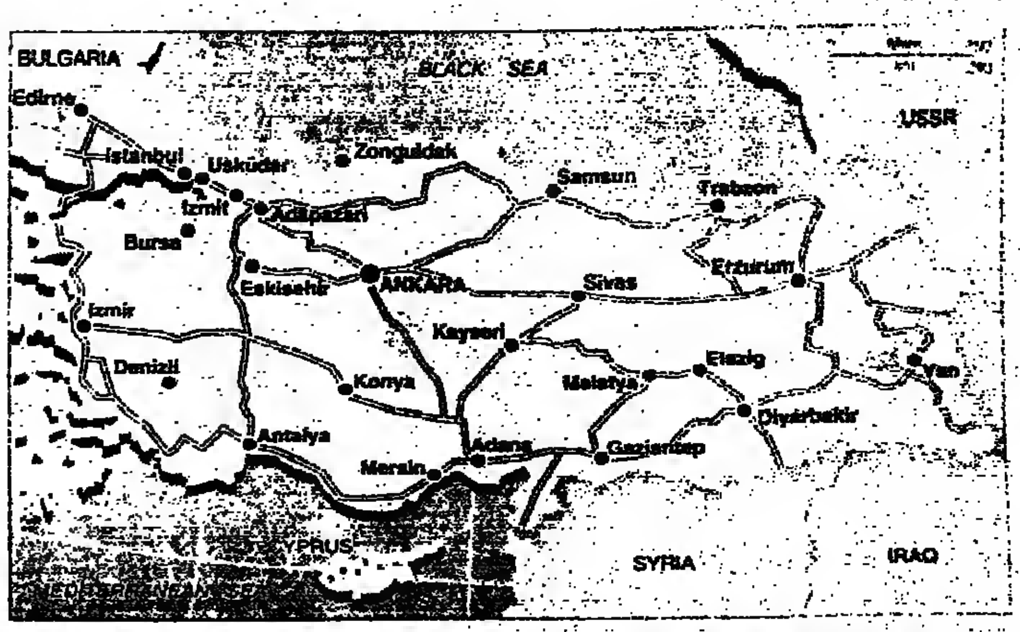
Area	769,360 sq km
Population	57.2m (1990 estimate)
Head of State	President Turgut Ozal
Currency	Lira (TL)
Average Exch Rate	1989 $1 = TL2,122 1990 $1 = TL2,609

ECONOMY

	1989	1990
Total GDP ($bn)	78.5*	108.9*
Real GDP growth (%)	1.1	9.0*
GDP per capita ($)	1,417	1,903
C'sumer prices (% change pa)	63.3	61.0*
Reserves minus gold ($bn)	4.8	6.2
Money growth (M1, % pa)	69.8	87.7**
Discount rate (% pa, year end)	54.0	45.0
Total external debt ($bn)	41.6	na
Debt service ratio (%)	32.1	na
Current account balance ($bn)	0.97	-2.40*
Exports ($bn)	11.77	12.00*
Imports ($bn)	15.97	30.00*
Trade balance ($bn)	-4.20	-18.00*
Main trading partners (1989, % by value)	Exports	Imports
West Germany	18.7	14.0
Italy	8.4	8.8
US	8.3	13.2
EC	46.6	38.4
Middle East	24.7	18.6

* EIU estimate
** 2nd Quarter figure

Source: IMF, Datastream, Economist Intelligence Unit



■PATENTS: draft bill comes off the shelf

Ministers divided over measures

FOR the past seven years, as prime minister and president, Mr Turgut Ozal has been promising that Turkey's patent laws will be revised.

Today, a long-pending draft bill looks as if it may finally be coming off the shelf. There is just one problem. The bill needs the whole Cabinet's signature. But two ministers will only sign if it continues to exclude protection from pharmaceuticals. And four ministers will only sign if it includes pharmaceuticals.

The cavalier way in which local pharmaceutical companies pirate products is why Mr Halil Sivgin, ministar of health, faced a rough hearing in London for his attempts to encourage British imports of Turkisb pharmaceuticals. A number of foreign companies are refusing to invest until patent protection is introdnced.

The patent issue is only one of the problems in the field of intellectual property which have caused the US to put Turkey on its watch list. Other issues are the inadequacy of copyright laws for books and computer programmes and the lax enforcement of such laws as do exist.

Publishers such as Longman have had to face photocopy piracy of their English language teaching books – losing, they estimate, 80 per cent of their market – as have producers of German medical books and Italian art books. Oxford University Press is suing its former agent, Haset, and the UK Publishers' Association has initiated several dozen lawsuits.

The maximum fines are not striking. Bnt conviction does carry the deterrent of opening the way to a criminal prosecution for theft.

Similar problems exist with electronic data. The Turkish Information Systems and Industrialists' Association, Tubisad, has been promoting a revision of the penal code. The current draft changes foresee up to six years' prison for illegally procuring, corrupting or destroying electronic data.

However, Mr Murat Kasaroglu, secretary general of the association, complains that there is no formal legal definition of electronic data, meaning that the courts are reluctant to act. However, software houses have found their would-be exports seized by the security police on secrecy grounds.

Still, Turkey is not a total pirates' paradise. In 1987, following intensive lobbying by Warner Brothers and United Artists, a law controlling movie, video and music piracy came into force. The companies say this has been working well. To the envy of the international pharmaceutical companies.

David Tonge

FINANCIAL TIMES
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